Audit Committee

Report

3rd Meeting of the Audit Committee
June 19, 2019

PRESENT:	Deputy Mayor J. Helmer (Chair), M. van Holst, J. Morgan, S. Turner, L. Higgs
ALSO PRESENT:	M. Hayward, D. Baldwin (KPMG), A. L. Barbon, I. Collins, K. den Bok (KPMG), S. Oldham, M. Redden (KPMG), M. Ribera, A. Ruffudeen (Deloitte), M. Schulthess, S. Stafford, S. Swance, E. Van Daele (KPMG), A. Whitcomb (Deloitte).

The meeting was called to order at 12:00 PM.

1. Disclosures of Pecuniary Interest

That it BE NOTED that no pecuniary interests were disclosed.

2. Consent

None.

3. Scheduled Items

None.

4. Items for Direction

4.1 2018 Financial Audit

That the following actions be taken with respect to the 2018 Financial Audit and Audit Findings Report 2018, as prepared by KPMG:

a) the 2018 Financial Report of The Corporation of the City of London BE RECEIVED; and

b) the Audit Findings Report for the year ending December 31, 2018 BE RECEIVED;

it being noted that the Audit Committee received the attached presentation from the Director, Financial Services and a presentation from KPMG with respect to these matters, including the attached revised Summary of Audit Misstatements Schedule;

it being further noted that attached revised amendments identified by the Director, Financial Services will be incorporated into the final 2018 Financial Report.

Motion Passed

a. 2018 Financial Statement

b. Audit Findings Report to the Audit Committee for the Year Ending December 31, 2018

4.2 Progress Memorandum: Class Replacement Pre-Implementation Project Review

That the communication dated June 7, 2019 from Deloitte, regarding the progress memorandum: class replacement pre-implementation project review BE RECEIVED.

Motion Passed

4.3 January - December 2019 Internal Audit Dashboard as at June 10, 2019

That the communication from Deloitte, regarding the January - December 2019 internal audit dashboard as of June 10, 2019, BE RECEIVED.

Motion Passed

4.4 Audit Committee Observation Summary as at June 10, 2019

That the Observation Summary from Deloitte, as of June 10, 2019, BE RECEIVED.

Motion Passed

4.5 Internal Audit Summary Update Memo

That the memo dated June 7, 2019, from Deloitte, with respect to the internal audit summary update, BE RECEIVED.

Motion Passed

5. Deferred Matters/Additional Business

None.

6. Adjournment

The meeting adjourned at 1:22 PM.

Financial Report 2018

THE CORPORATION OF THE CITY OF LONDON

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London
CANADA

Contents

Contents (continued)

2018 City of London at a Glance

City of London…

At a Glance

393,167
Population

423.43 km^2
Land Area

3,713
Lane KM of Paved Road

61.0%

2018 Labour Participation Rate*
(Canada's Rate is 65.4%)

5.6%

2018 Unemployment Rate*
(Canada Rate is 5.8%)

Aaa

2018 Credit Rating
Provided by Moody's
Investors

london.ca

*Statistics Canada

London
CANADA

Message from the City Treasurer

Photo 1: City Treasurer, Anna Lisa Barbon

His Worship Mayor Ed Holder,
Members of London City Council,
Inhabitants and Ratepayers of the City of London.

I am pleased to present the Annual Financial Report of The Corporation of the City of London for the year ended December 31, 2018.

The financial statements have been prepared in accordance with generally accepted accounting principles for public sector entities as defined in the Chartered Professional Accountants (CPA) Public Sector Handbook – Accounting. The provincial financial information return has been calculated using accounting policies and practices prescribed for Ontario Municipalities by the Ministry of Municipal Affairs. The Consolidated Financial Statements and the Financial Statements of Local Boards and Commissions have been audited by the firm of KPMG LLP.

This annual financial report serves as an opportunity to communicate to stakeholders, residents and local businesses regarding the Municipality's 2018 financial performance. This report also highlights the City's significant financial policies, budget process and provides additional details about the City's financial results in the past year. The 2018 results continue London's history of strong financial leadership in business planning and long-term financial management.

My appreciation is extended to the staff of Finance, Service Areas, and Boards and Commissions for their assistance and cooperation in the preparation of this report. As well, I thank the partners and staff of KPMG for their advice and professional approach demonstrated during the audit.

Sincerely,

Anna Lisa Barbon, CPA, CGA
Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

Financial Reporting

External Audit

The City is required under the *Municipal Act, 2001* to engage independent auditors to express an opinion as to whether the financial statements of the City are free from material misstatements. The auditors have full access to all the records and materials within the City. Staff periodically met with the auditors to discuss any matters that occur during the audit process. At the end of the year-end audit, the City will receive a Management Letter which outlines any audit findings and the adequacy of internal controls over financial reporting. Although the financial statements are audited by an independent third party, the City's management is responsible for the preparation of the financial statements and the integrity and objectivity of the financial information contained within them.

Accounting and Financial Reporting Requirements

The City's financial statements are prepared on a full accrual accounting basis; the same basis of accounting used by the federal and provincial governments. The City continues to account for tangible capital assets, which was adopted in 2009, which provides information for accountability and stewardship and provides critical information on the City's significant investment in assets.

Consolidated Financial Statements Overview

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Provides a summary of the City's assets (financial and non-financial), and financial liabilities as at December 31, 2018.
Consolidated Statement of Operations	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of change in Net Financial Assets (Debt)	Outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Financial Reporting (continued)

Consolidated Financial Statements Overview (continued)

The Consolidated Financial Statements combine the financial results of the City's service areas with the financial results of the boards and commissions, and government business enterprises that the City effectively controls. There are 20 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement includes the net book value of the City's tangible capital assets. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's net financial assets (debt), which represents the net amount that must be financed from future budgets.

Note 15 to the Consolidated Financial Statements details the breakdown of the accumulated surplus, including all of its components: amount invested in tangible capital assets; equity in government business enterprises, reserve and reserve fund balances; and unfunded liabilities that must be recovered from future revenues.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges and Federal and Provincial Government transfers received (such as public transit funding) are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 7 to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus. While there is a large accumulated surplus, this occurs at the same time that the City has a net financial asset position which assists in financing future unfunded liabilities and expenses. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity, and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt/net financial assets position, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus are considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses and surplus throughout the reporting period and outlines the change in accumulated surplus. The 2018 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash

Financial Reporting (continued)

Consolidated Statement of Operations and Accumulated Surplus (continued)

requirements" basis and amounts now recorded in these financial statements.

Note 20 outlines the adjustments to the budget, particularly reduction of debt proceeds and payments, reduction of tangible capital asset purchases and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget results in a surplus, as the City must fund reinvestment in assets at replacement costs which are much greater than their historical cost.

Consolidated Statement of Net Financial Assets (Debt)

The Consolidated Statement of Net Financial Assets (Debt) is unique to governments. Other senior levels of government have been preparing this statement for a number of years. This statement focuses on the financial assets of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

City of London Budget

Budgetary Process

In March 2016, Municipal Council approved the City of London's first ever multi-year budget (operating and capital) that covers a four (4) year period (2016-2019) and is linked to Municipal Council's Strategic Plan. Council also approved a ten year capital plan. Linking the strategy to the budget provides accountability between what is achieved and the cost to the tax and rate payer. Rather than approving a budget annually, Municipal Council will approve budgets in four (4) year cycles, with the last year being subject to reconfirmation by the new term of Municipal Council.

An important element of the multi-year budget is the annual update process. Municipal Council is required by the *Municipal Act, 2001* to review and readopt the budget for that year. Annual updates will provide Municipal Council the opportunity to adjust the budget to provide flexibility for special events or circumstances that require funding and resource adjustments. The annual update for 2019 was approved in February 2019.

The budget is presented as a service based budget which categorizes the organization into ten service programs: Culture Services; Economic Prosperity; Environmental Services; Parks, Recreation & Neighbourhood Services; Planning and Development Services; Protective Services; Social and Health Services; Transportation Services; Corporate, Operational & Council Services; and Financial Management.

The budget process incorporates input from Elected Officials, Senior Management and staff, as well as the public. The process begins with overall budget targets, taking into consideration the economic climate within the area. Staff will then make recommendations to revise expenditure levels or revenues to meet the targets. Prior to final deliberations on the budget, public input is compiled and utilized in the decision making process. Provincial legislation requires revenues to be raised to meet all budgeted expenditures. Municipalities may not budget for surpluses or deficits and any that occur must be fully accounted for in the next year's budget. The City's Municipal Council approved the Surplus/Deficit Policy which provides framework for the allocation of surpluses and funding for deficits.

Financial Management

Capital Financing Policies

The City uses a balanced approach to finance capital projects, consistent with the Council approved Capital Budget and Financing Policy and Debt Management Policy. Sources of capital financing include: tax and rate supported capital levy ("pay as you go"), reserve fund and debt and non-tax/rate supported development charges and senior government funding. Capital projects are classified as lifecycle, growth, or service improvements. Lifecycle is primarily funded by capital levy and reserve funds. Growth is primarily funded by development charges and debt. Service improvements by all three tax and rate supported sources (capital levy, reserve fund and debt). As per the Capital Budget and Financing Policy, the City continues to increase capital levy financing on lifecycle projects to limit the debt burden on future generations and provide for intergenerational equity. Furthermore, consistent with the Debt Management Policy, the capital plan ensures that debt is at a level that will not impair the financial position or the credit rating of the City.

Investment Policy

The City of London invests public funds in a manner that maximizes investment return, and minimizes investment risk while meeting the daily cash requirements of the City, and conforming to legislation governing the investment of public funds.

The City's investment portfolio shall remain sufficiently liquid to meet daily operating cash flow requirements and limit temporary borrowing. The portfolio shall be structured to maintain a proportionate ratio of short, medium and long-term maturities to meet the funding requirements of the City.

The City's objectives to investing, in priority order, are to adhere to statutory requirements, preserve capital, maintain liquidity and obtain a competitive rate of return. One of the key strategies utilized to meet these objectives is diversification. Investments are diversified by limiting investments in securities to those with higher credit ratings, purchasing securities with varying maturities and investing in marketable securities that have an active secondary market. Another key strategy used by the City is the "buy and hold" strategy. By purchasing investments at varying maturity dates and holding the investments to term, the interest rate risk is minimized and capital is preserved while maximizing yields. Along with the diversification, and buy and hold strategies, the City also maintains portfolios managed by investment firms.

The benefit of investment services provided by a sophisticated team of experts include; regular monitoring, more active trading, diversification of funds, accessibility to market research and anticipation of market conditions. Together these strategies ensure that the City is achieving its investment goal of maximizing investment income at minimal risk to capital.

Property Taxation Policy

Property tax policy in the City of London is guided by four (4) principles as follows:

- Equity
- Economic Development
- Transparency and Public Acceptance
- Administrative Efficiency

Every year as part of its tax policy review, the City of London reviews its tax ratios and compares them to other municipalities in the Province to ensure they are equitable, competitive and conducive to economic development.

Financial Management (continued)

Property Taxation Policy (continued)

A major component of property tax policy in Ontario is the annual setting of tax ratios for property classes by Municipal Councils. Tax ratios determine the relative tax level for the various property classes within a municipality. In September 2011 in a report on future tax policy, an objective was identified to lower and equalize the tax ratios for multi-residential and industrial properties to a level equal to the commercial property class. The objective was to lower the ratios over a number of years subject to Council's approval each year.

The first step of this process began in 2013 with a decrease in the multi-residential tax ratio only.

In 2014, both the multi-residential and industrial tax ratios were reduced.

The multi-residential tax ratio was brought down to a level equal to the commercial tax ratio in that year. In 2015 the industrial tax ratio was adjusted to a level equal to the commercial and multi-residential property classes and the objective identified in 2011 therefore has been achieved. The purpose of these changes has been to promote economic development in the industrial and multi-residential property classes and enhance equity in these property classes relative to the commercial class.

In 2018, the City further adopted a policy of equalizing municipal tax increases in the multi-residential and the residential classes. This was accomplished by adjusting the tax ratio in the multi-residential class resulting in a slightly reduced multi-residential tax ratio. This policy was continued in 2019. The City also reduced Commercial and Industrial tax ratios in 2018 and 2019 from 1.95 to 1.92.

Since 1998 the City has adopted all available options to reduce the amount of tax mitigation involving clawing back tax decreases and capping increases in the commercial, industrial and multi-residential property classes. For 2018 there will be no tax mitigation in the industrial and multi-residential property tax system and only a very few properties will have tax increases capped in the commercial property class. No properties will have tax decreases clawed back in any property class in 2019. The ending of the tax mitigation required by the Provincial Government will simplify the calculation of property taxes and will enhance equity and transparency in the property tax system in London.

Future Tax Policy

As part of its annual tax policy review, the City will continue to monitor its tax ratios in all classes and all its other policies related to taxation to ensure that property taxation in the City is equitable, conducive to economic development, transparent to the public and administratively efficient.

Credit Rating provided by Moody's Investors Service

Moody's Investors Service (Moody's) typically reviews the credit worthiness of the City of London annually and then assigns the City a credit rating. Moody's is a leading provider of credit ratings, research and risk analysis. The firm's ratings and analysis track debt covering more than 135 sovereign nations, approximately 5,000 non-financial corporate issuers, 4,000 financial institutions issuers, 18,000 public finance issuers, 11,000 structured finance transactions and 1,000 infrastructure and project finance issuers.

The rating process involves a review of the City's annual audited Consolidated Financial Statements, the Financial Information Return (FIR) that is filed annually with the Ministry of Municipal Affairs, the 2016-2019 approved Multi-Year Budget and the Annual Budget Update and forecasts. Moody's also utilizes independent research from a variety of sources such as Statistics Canada, comparisons with other municipalities and local media. Along with reviewing and analyzing documents, Moody's arranges a site visit to the City and interviews with senior management and the Mayor or Deputy Mayor.

According to Moody's credit rating opinion published September 19, 2018, the City has maintained its Aaa credit rating with a stable outlook.

The City has proudly held the Aaa rating since 1977, making 2018 the 42nd consecutive year of the Aaa rating and reaffirming that the City's debt has the highest rating possible.

The City's achievement of being Aaa rated for 42 consecutive years is a testament to the success of the City's prudent, conservative approach to fiscal planning.

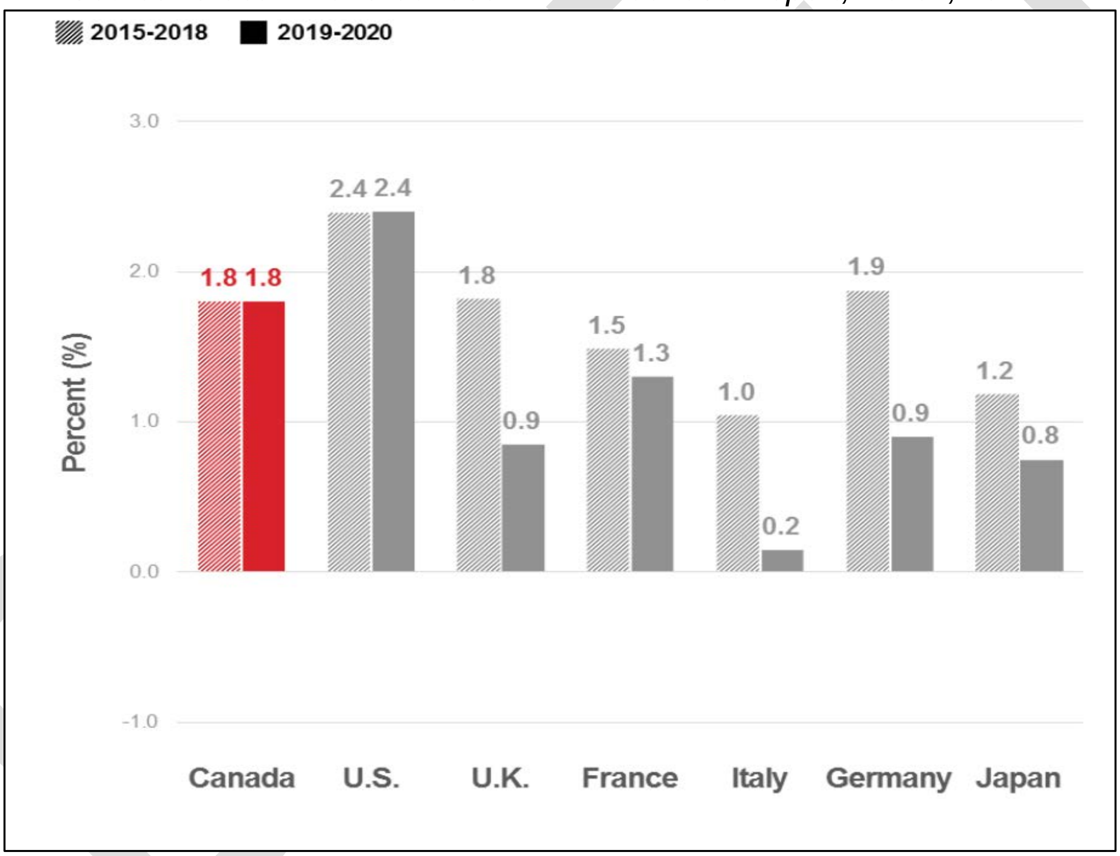
Figure 1: 2018 Credit Rating Provided by Moody's Investor Service.

Aaa

Economic Overview

Despite the global slowdown, Canada's economic prospects are strong. According to the Organization for Economic Co-operation & Development (OECD), Canada's average annual real GDP growth from 2015-2018 ranked high among G7 counties and is forecast to be the second highest in the G7 in 2019-2020[1]. The Canadian economy grew by an estimated 2.1% in 2018 and is projected to post growth of 1.9% in 2019. Household spending has been driving gross domestic product growth over the last several years but is easing in the face of high household debt loads, rising interest rates, and soft wage growth. Energy exports will decline, with government-mandated production cuts taking effect in Alberta and low investment taking a toll on future production[1].

Figure 2: Average Annual Real GDP Growth and Projections (%)
Source: Global Affairs Canada – Think Canada Report, March, 2019[1]



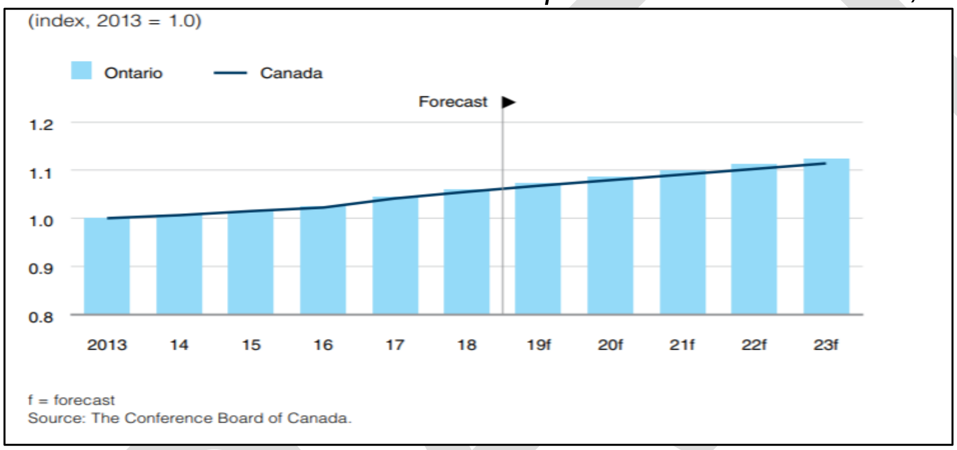
[1] Global Affairs Canada, Excellent Economic Fundamentals, https://www.international.gc.ca/economist-economiste/invest/invest-Canada.aspx?lang=eng

Economic Overview (continued)

Employment Perspective

As per the Conference Board of Canada, Ontario's real GDP is forecast to rise 1.8% this year and a further 2.0% in 2019. In turn, the unemployment rate should ease to an average of 5.6% in 2019 and 5.5% in 2020. Ontario's population is expected to increase by 1.4% and 1.3% in 2018 and 2019, respectively[2].

Figure 3: Employment Perspective – Prior Year and Forecast
Source: The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2019[2]



Ontario's gains continued at a robust pace in 2018, despite a 21% increase in the provincial minimum wage (to $14 per hour) last January. Hiring has slowed in key sectors such as construction, manufacturing, retail and wholesale trade, and professional, scientific, and technical services. Although other sectors such as utilities, transportation, education, and accommodation and food services have still been adding jobs. All told, it is expected that modest employment gains of 1.2% in 2019 and 1.3% in 2020[2].

Investment Outlook

A healthy outlook for investment will somewhat offset the drag of weaker consumer spending on Ontario's GDP growth. Total real investment spending expanded by an estimated 2.9% in 2018, and is expected to grow by a further 2.2% in 2019 and 4.1% in 2020. Much of the uncertainty affecting Ontario's investment outlook was eliminated by the Canada–United States–Mexico Agreement (CUSMA) trade deal. Pending congressional approval, this should ensure continued access to the U.S. market for Ontario exports, and some of the provisions in the new trade agreement could be an improvement over NAFTA. Ontario's investment outlook will also benefit from spending by the high-tech industry[2].

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[2] Conference Board of Canada, Metropolitan Outlook2: London – Winter 2019, https://www.conferenceboard.ca/e-library/abstract.aspx?did=10163&AspxAutoDetectCookieSupport=1

Economic Overview (continued)

London Outlook

Table 1: Dominant Industries in London
Source: Statistics Canada

Class*	Industry	Employees (000s)
4411-4543	Retail trade	29.3
2311-29	Construction	16.5
7221-24	Food and beverage services	15.8
6211-19	Ambulatory health care services	12.5
6111	Primary and secondary schools	12.3
6220	Hospitals	12.1
6112-17	Post-secondary education	10.9
3361-69	Transportation equipment manufacturing	10.1
5511, 5611-12, 5615-17, 5619, 5621-29	Other management and administrative services	9.0
4111-91	Wholesale trade	8.0

**North American Industrial Classification System*

London's healthy economic performance in recent years has in part been driven by strong growth in the region's key manufacturing sector. A depreciated Canadian dollar and healthy U.S. demand, particularly for automobiles, have helped drive strong output growth in the sector. Although U.S. vehicle sales are anticipated to decline over the forecast, manufacturing will continue to post moderate gains thanks to key contracts and strong business investment[2]. Supported by key industrial projects and strong new home construction, including 2017's 28-year high level of housing starts, the region's construction industry is also expected to grow at a healthy pace. Meanwhile, solid performances in the health care sector, the professional, scientific, and technical services industry, and the finance, insurance, and real estate industry will help make up for middling performances in other services industries, driving moderate but consistent gains in London's overall services sector in the near term. Despite the economy's steady GDP gains over the last few years, London's job market has logged an uneven performance. After growing by 3.7% in 2015—an addition of nearly 9,000 jobs—employment contracted by 2.4% in 2016 and 0.1% in 2017. Fortunately, the job market bounced back and expanded by 2.9% in 2018, making up for the job losses of previous two (2) years. Gains are expected to continue in the near term, though the pace of growth is expected to fall to 1.3% this year and 0.3% in 2020. Meanwhile, the jobless rate is forecast to edge up from 5.5% in 2018 and hold steady at 5.6% this year and next before inching up to 5.8% by the end of the forecast[2].

Economic Overview (continued)

London Outlook (continued)

Figure 4: Employment Market Variability in London
Source: The Conference Board of Canada: Metropolitan Outlook 2: London, Winter 2019

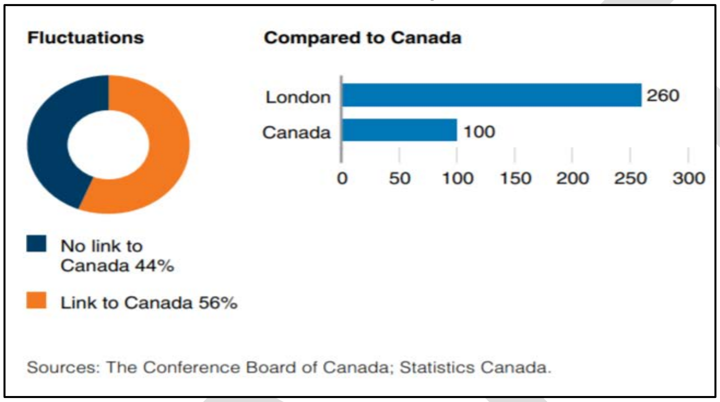
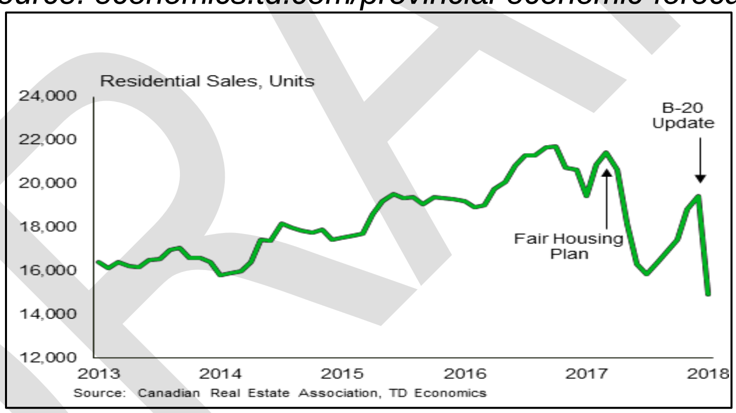


Figure 5: Six Year Overview, Ontario Home Sales
Source: economics.td.com/provincial-economic-forecast



In 2018 private investment turned around and started posting gains, however the levels remain weak. 2019 will mark a shift in the drivers of economic activity, with the Canadian consumer sector likely to pull back after spending strongly last year. Business investment and government outlays, conversely, are forecast to make bigger contributions[3]. Canadian economic growth is expected to continue at a more sustainable pace, reflecting in part the combination of higher interest rates and the waning impacts of recent fiscal policy measures. While the level of economic activity is expected to remain strong, growth is anticipated to moderate with little remaining slack in the economy[4].

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[3] RBC Economic Research, Economic and Financial Market Outlook, March 2018, http://www.rbc.com/economics/economic-reports/pdf/quarterly-economic-update/fcst_mar2018.pdf
[4] Government of Canada, Budget Plan, https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html

Economic Overview (continued)

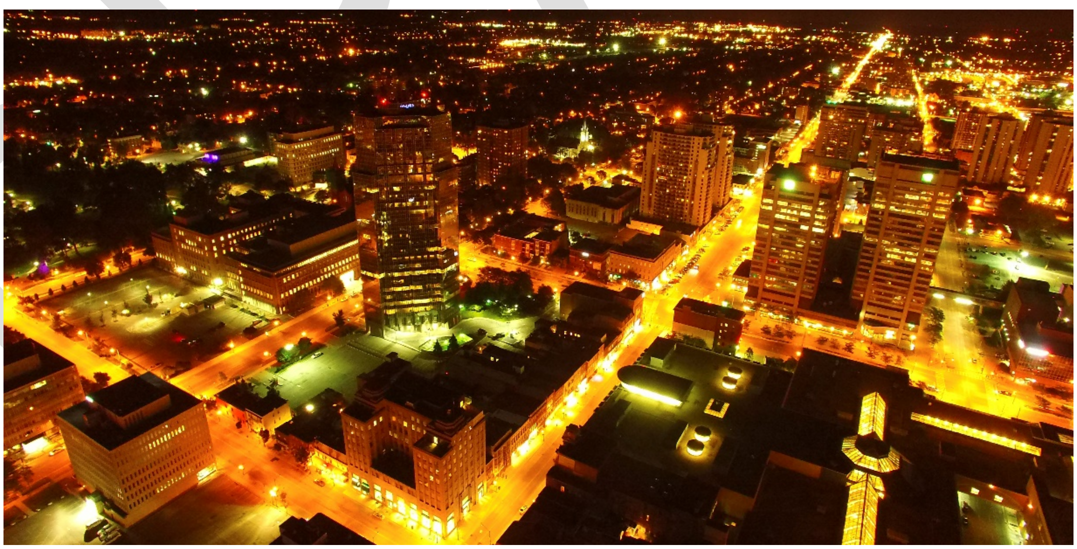
London Outlook (continued)

Total real exports have risen modestly since mid-2014, as solid growth in exports of services and energy commodities have been offset by weakness in non-energy good exports[4]. Export growth has been lower than might have been expected given the significant depreciation in the Canadian dollar since mid-2014, however, export growth is expected to grow in line with foreign demand. The positive global growth backdrop is expected to boost demand for Canadian exports[4]. Higher energy exports were the key driver of the modest increase in overall export growth in 2018[3]. The volume of non-commodity exports fell in 2018 after hitting the highest level in close to a decade the previous year[3]. Canada's export sector will continue to be uneven in 2019, with growth being fuelled largely by the energy and services sectors.

The City of London Building Activity and Assessment Growth

Since 2007, the City of London has processed building permits with an average total construction value of $851.8 million, and a total value of $ 1.01 billion in 2018[5]. This represents a 10.3% decrease over 2017 construction values.

On a per capita basis, London generated building permit value per capita greater than the median at the provincial and regional (i.e. Southwest Ontario) levels in 2017, placing it at a mid-level ranking among other municipalities in Ontario[6].



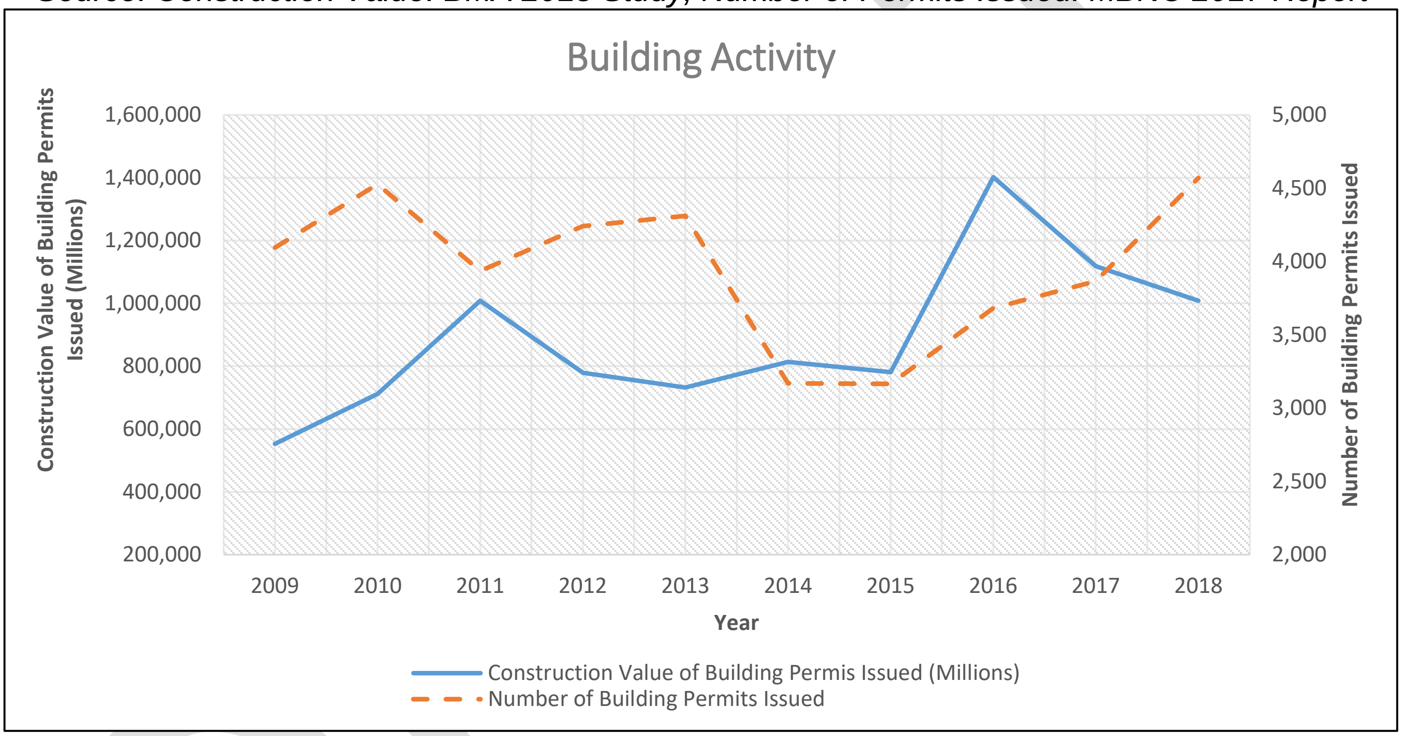
[5] City of London. Summary Listings of Building Construction Activity, http://www.london.ca/city-hall/meetings/Pages/default.aspx
[6] BMA. (2018). Municipal Study, https://www.london.ca/city-hall/master-plans-reports/reports/Documents/BMA%20Municipal%20Study%202018.pdf

Economic Overview (continued)

The City of London Building Activity and Assessment Growth (continued)

The City's weighted assessment growth was 1.27% for the year 2018, and 1.96% for 2019. Assessment growth in London generated approximately $7.1 million in property tax revenue in 2018.

Figure 6: 10 Year Overview of Building Activity
Source: Construction Value: BMA 2018 Study, Number of Permits Issued: MBNC 2017 Report



Economic Overview (continued)

Manufacturing Outlook

Between 2013 and 2017, London's manufacturing sector saw average annual output gains of 3.4%, leaving far behind the annual contractions of 2006–09. Last year, the sector expanded by a solid 2.8%. Though we expect gains to moderate to 2.4% this year and 2.0% in 2020, growth will sit comfortably above the 10-year average annual rate of 1.2%. Because we anticipate manufacturing will grow steadily over the forecast, output is forecast to finally surpass its 2005 high by 2021. After their collapse in the 2008–09 financial crisis, U.S. vehicle sales rose steadily from 2010 on until finally hitting a record high in 2016. Although vehicle sales are anticipated to weaken, the decline will be gradual, with demand for light vehicles to average just above 16 million units annually through the end of the forecast. These sales levels are consistent with moderate output growth in London's automotive manufacturing industry[2].

Figure 7: Current State and Forecast Risk of London's Manufacturing

Meanwhile, the outlook for the sector is even brighter outside the automotive sector. Last year, London's Nestlé ice-cream plant hired an additional 150 full-time employees on the heels of a $52-million expansion. Continued strong ice cream demand also prompted Nestlé to launch a 9,000-square-foot addition. At the same time, thanks in part to a $7-million investment from the Ontario government, Dr. Oetker started hiring an additional 100 employees last year in order to nearly double production at its London plant. One entry into Canada's burgeoning cannabis market is High Park, which recently opened a $10-million, 56,000-square-foot facility in the region. Currently with 75 employees, the business plans to expand and develop new products over the next five years. Political uncertainties and United States protectionism continues to be a threat to various industries, as tariff and trade disputes remain. Additionally, overall declines in auto sales and defence markets may continue to challenge London manufacturing. In 2019, Maple Leaf Foods announced it will be building a new fresh poultry processing plant in the region that is expected to employ 1,450 people in London once construction is completed in 2021[2].

Economic Overview (continued)

Unemployment Rate

Job gains will moderate to 1.3% in 2019 and 0.3% in 2020 after reaching 2.9% last year. After falling 5.5% in 2018, the unemployment rate will rest at 5.6% this year, and a similar rate of 5.6% expected in 2020 as well[2].

Table 2: Unemployment Rate, 2016-2023
Source: The Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database.

	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP at basic prices (2007 $ millions)	20,377	20,763	21,110	21,494	21,869	22,294	22,700	23,086
Real GDP at basic prices % change	2.0	1.9	1.7	1.8	1.7	1.9	1.8	1.7
Total employment (000s)	246	246	253	256	257	260	262	265
Total employment % change	-2.4	-0.1	2.9	1.3	0.3	1.1	1.0	1.1
Unemployment rate (%)	7.0	5.9	5.5	5.6	5.6	5.6	5.8	5.8
Household income per capita ($)	43,468	44,273	45,604	46,459	47,275	48,517	49,820	51,146
Household income per capita % change	2.0	1.9	3.0	2.1	1.6	2.6	2.7	2.7
Population (000s)	513	522	530	536	542	548	554	560
Population % change	1.4	1.7	1.5	1.2	1.1	1.1	1.1	1.0
Total housing starts	3,116	3,967	2,679	2,933	2,906	2,817	2,736	2,600
Retail sales ($ million)	7,798	8,396	8,691	9,020	9,270	6,534	9,781	10,042
Retail sales % change	6.8	7.7	3.5	3.8	2.8	2.8	2.6	2.7
CPI (2002 = 1.000)	1.297	1.319	1.352	1.382	1.411	1.440	1.470	1.498
CPI % change	1.8	1.7	2.6	2.2	2.1	2.1	2.0	2.0

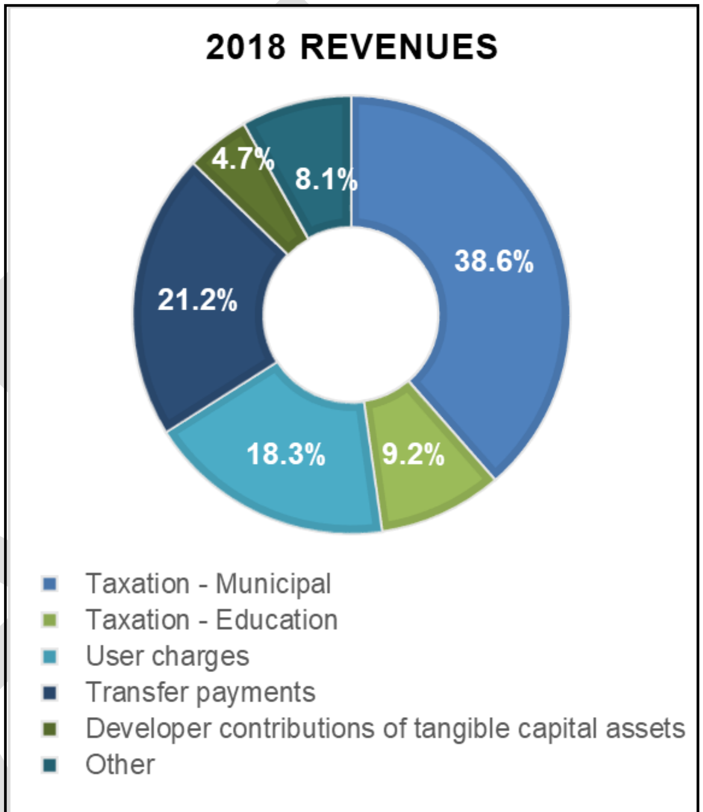
2018 Financial Results

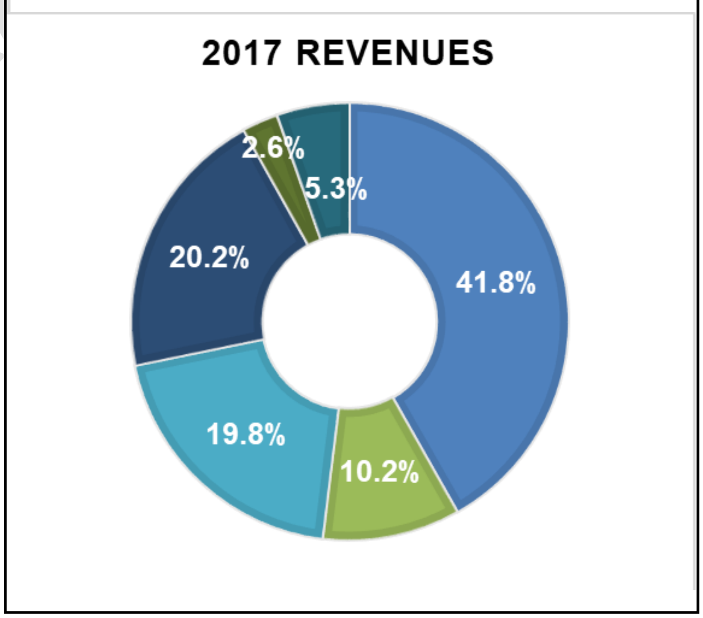
Financial Results Summary

The City of London's financial position remained stable during 2018, with the City's cash and investments increasing by $118 million to a combined total of $1,056 million, compared to $938 million in 2017. Municipal Council's adherence to the Strategic Financial Plan continues to produce positive results that are reflected in maintaining the financial health of the City.

Net Financial Assets

The City's financial position improved to a net financial asset position of $394 million in 2018, representing an increase of $121 million over 2017. The net financial assets are the difference between the financial assets and financial liabilities. This means that the City's financial assets are larger than its financial liabilities and indicates that the City is in a stronger position to provide for future expenses and liability repayments.





Total Revenues

Total revenues are $1,423 million in 2018, up $173 million (13.8%) compared to 2017. This is mainly as a result of:

- Tax and user charges revenues were $891 million, up $34 million (3.9%) compared to 2017;
- Transfer payments were $331 million, up $49 million (17.7%) compared to 2017, predominantly in the areas of transportation, water and wastewater, and social housing. Also contributing to transfer payments were provincial uploading in social and family services.

2018 Financial Results (continued)

Total Expenses

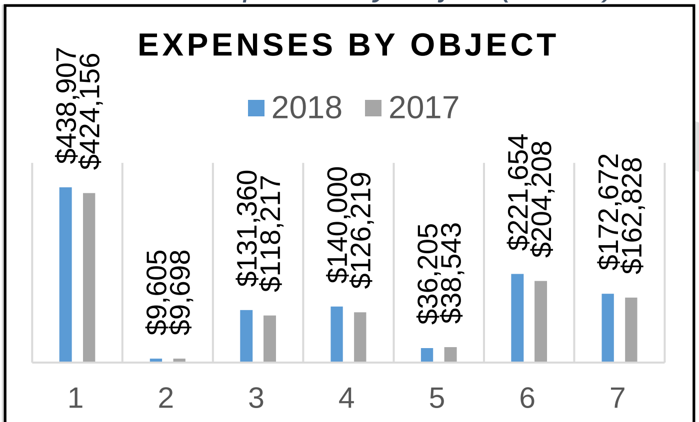
Total expenses are $1,150 million in 2018, up $66 million (6.1%) compared to 2017. This is mainly due in part to:

- An increase of $5 million for environmental services, $4 million for social housing, $4 million for recreation and culture, $20 million for social and family services and $27 million for transportation services.

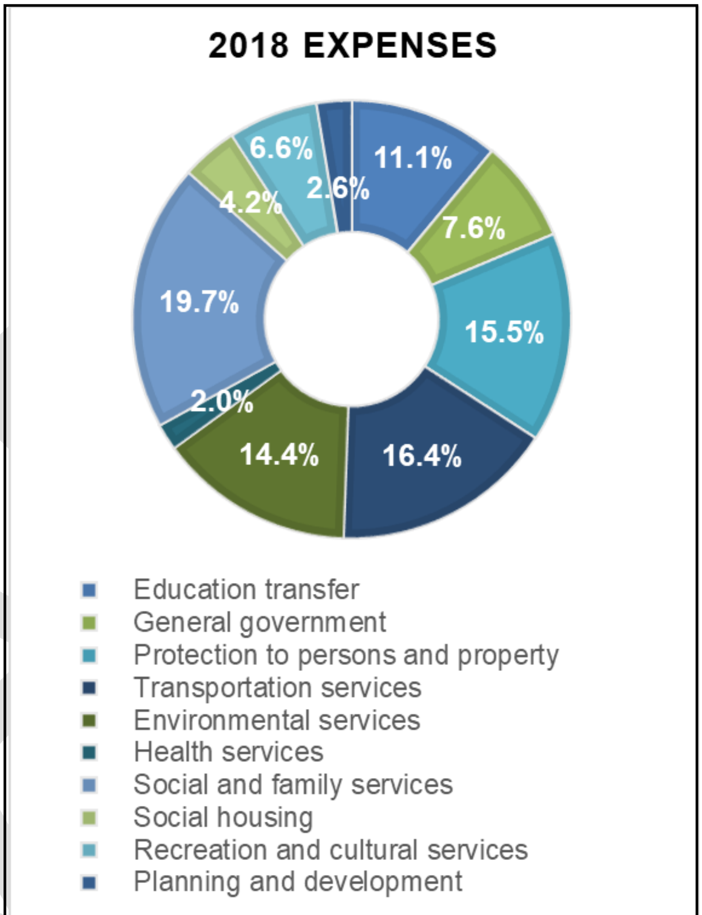
Expenses are depicted in the pie charts to the right by areas, showing the comparability year-over-year.

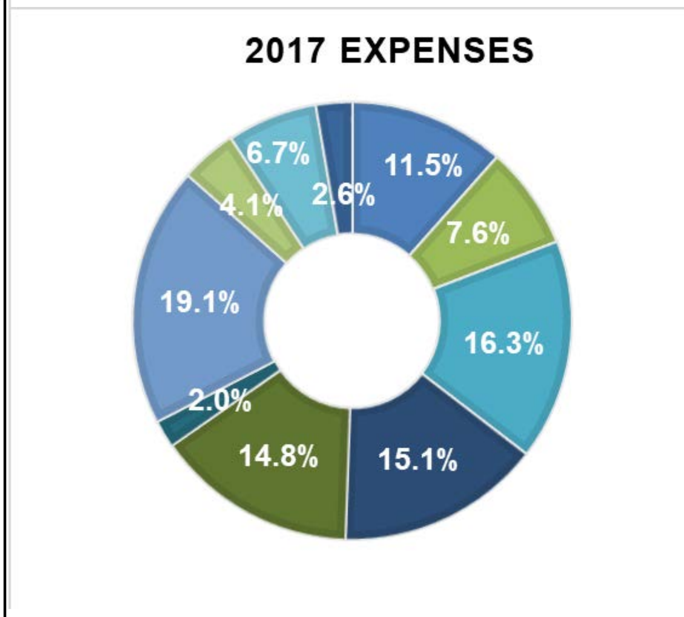
Expenses can also be illustrated by account object, grouping similar accounts together by expense category. The table below provides a view of the expenses from this perspective.

Table 3: Expenses by Object ($000's)



1 - Salaries, wages and benefits
2 - Long-term debt interest charges
3 - Materials and supplies
4 - Contracted services
5 - Rents and financial expenses
6 - External transfers
7 - Amortization



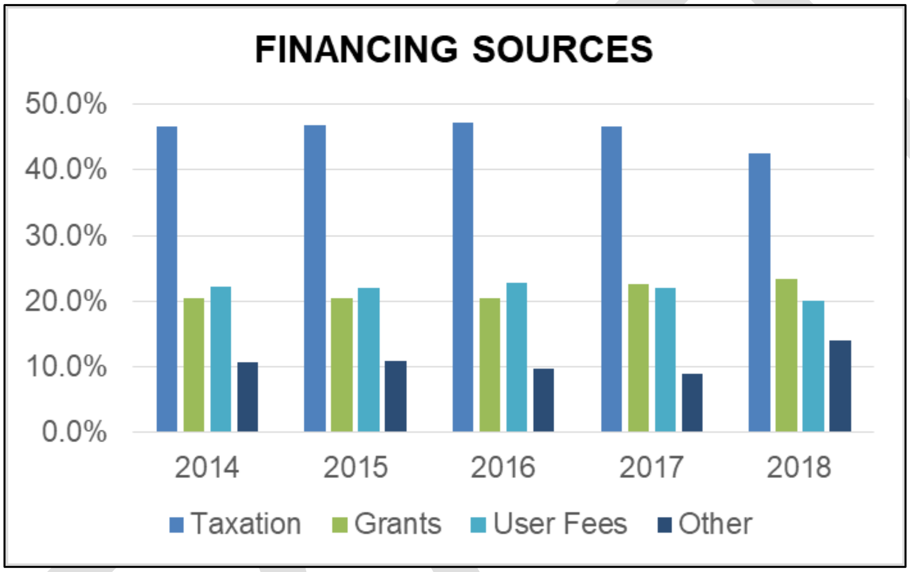


2018 Financial Results (continued)

Financing Sources for Municipal Operations

This graph illustrates the relative amount of the different sources of financing for all City operations, over the past 5 years.

Figure 8: Five Year Overview of Financing Services



Property Tax Rates and Assessment Growth

City Council approved a tax levy of $580 million, representing an increase over 2017 of 4.0%. When assessment growth, tax policy and education taxes are taken into consideration, the property tax increase translated into a 1.3% increase in the total tax bill for the typical residential property owner. The table below reflects the taxes on a residential property with an assessed value of $235,000 in 2018 and an average value increase from 2017.

For 2018, assessment weighted with applicable tax ratios and using consistent valuation dates increased by 1.27%.

COMPARATIVE PROPERTY TAXES

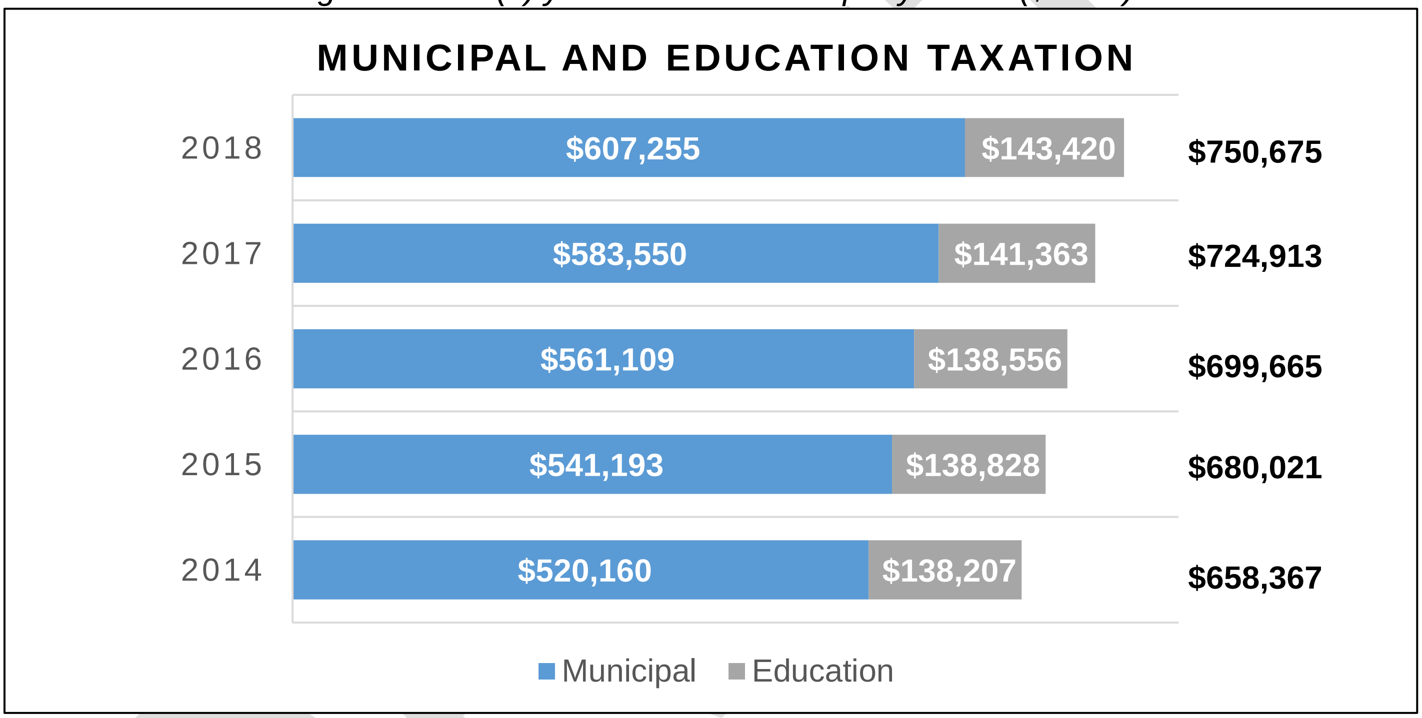
	2018	2017
Municipal	**$2,775**	$2,722
Education	**399**	412
Total	**$3,174**	$3,134

2018 Financial Results (continued)

Property Tax Rates and Assessment Growth (continued)

This next chart reflects property taxes collected for the past five (5) years showing the distribution between municipal and education. Education taxes are collected by the City and remitted to the various school boards on a quarterly basis.

Figure 9: Five (5) year Overview of Property Taxes ($000's)



2018 Financial Results (continued)

Capital Additions and Disposals

During 2018, additions to our completed capital assets were $576 million versus $454 million in 2017. The City also disposed of capital assets of $65 million compared to $77 million in 2017. There was also a net decrease in assets still under construction of $66 million in 2018. The following table reflects where the largest net additions in 2018 were, excluding assets still under construction:

Table 3: Largest Net Additions, 2018 ($000's)

NET CAPITAL ASSET INCREASES RANKED BY 2018 SPENDING ($000'S)

1.	Roads and Bridges Infrastructure	$73,519
2.	Water and Wastewater Infrastructure	58,288
3.	Facilities and Improvements	46,589
4.	Vehicles	22,656
5.	Land, Landfill and Land Improvements	16,905

In 2018 amortization expense recorded was $173 million and accumulated amortization of $57 million was removed upon disposal of the assets.

This resulted in a 2018 net book value of $3,900 million for the City's tangible capital assets, compared to $3,750 million for 2017.

Annual Surplus and Accumulated Surplus

The annual surplus for the consolidated entity for 2018 was $273 million (2017 - $166 million). This results in an increase to the City's Accumulated Surplus for 2018 to $4,317 million (2017 - $4,044 million).

2018 Financial Results (continued)

Analysis of Debenture Issuance and Net Long-term Debt ($000's)

In 2018, the City issued debt of $55 million through public debentures, which is an increase from 2017 when $41 million was issued.

The amounts issued financed the following major activities:

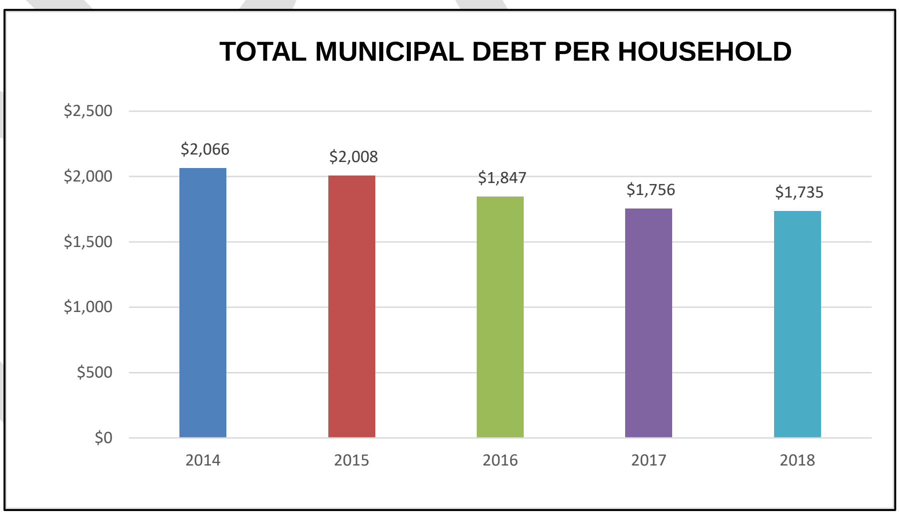
Table 4: Debenture Amounts Issued

Debenture Issuance ($000's)	Public Debentures
General Municipal Activities (Roads, Transit, Recreation)	$ 35,954
Wastewater Infrastructure	19,046
	$ 55,000

The City issued public debentures at an average cost of 2.976% over a 10-year term.

During the year, debt substitution totaled $7.0 million (2017 - $7.0 million) as a result of an allocation of a portion of the debt servicing cost budget and funding allocations from the operating property tax supported budget surplus and assessment growth funding in accordance with the Council approved Surplus/Deficit and Assessment Growth Policies.

Figure 10: Five (5) Year Overview of Municipal Debt per Household



As a result of the Strategic Financial Planning Process, the City has limited the amount of new debt authorized each year.

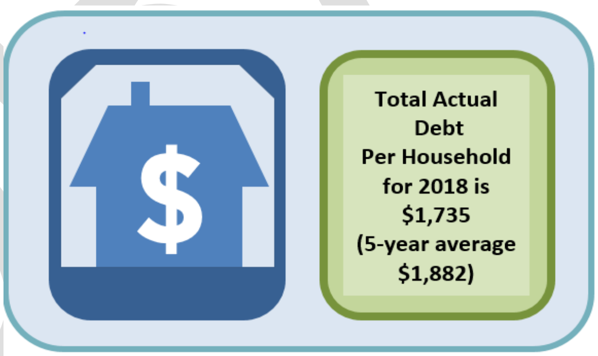
2018 Financial Results (continued)

Analysis of Debenture Issuance and Net Long-term Debt ($000's) (continued)

General Municipal Debt and Long-term Liabilities and Discretionary Reserves and Reserve Funds per Household as at December 31 ($000's)

	2014	2015	2016	2017	**2018**
Total Tax Supported Debt ($)	239,697	225,909	205,690	192,732	**184,684**
Total Rate Supported Debt ($)	116,174	122,250	118,198	117,883	**126,443**
Total Debt ($)	355,871	348,159	323,888	310,615	**311,127**
Number of Households	172,281	173,415	175,342	176,859	**179,342**
Total Debt per Household ($)	2,066	2,008	1,847	1,756	**1,735**
Discretionary Reserve Funds & Reserves ($)	518,480	574,311	606,830	681,028	**761,075**
Discretionary Reserve Funds & Reserves Per Household ($)	3,010	3,312	3,461	3,851	**4,244**

Figure 11: Total Actual Debt per Household, 2017



2018 Financial Results (continued)

Future Balances on Existing Debt and Long-term Liabilities

The following table outlines principal balances remaining on outstanding debentures for general, water, sewer and reserve funds as at December 31, 2018. The current obligation will be met by 2032.

Table 5: Principal Balances Remaining on Outstanding debentures as at December 31 ($000's)

	2018	2019	2020	2021	2022	2023
General Municipal	171,114	138,097	106,543	77,716	56,145	38,039
Discretionary Reserve Funds	14,561	10,239	5,786	3,752	1,656	490
Total Tax Supported Debt	185,675	148,336	112,329	81,468	57,801	38,529
Water	15,638	13,141	10,592	7,989	5,572	3,909
Sewer	50,346	41,663	33,008	24,662	19,456	15,217
Obligatory Reserve Funds	61,029	53,066	44,960	36,696	29,541	22,914
Total Rate Supported Debt	127,013	107,870	88,560	69,347	54,569	42,040
Total Long-term Debt and Liabilities	312,688	256,206	200,889	150,815	112,370	80,569
Less Unamortized Discount	(1,561)	(1,289)	(1,018)	(772)	(544)	(363)
Total Long-term Debt and Liabilities, net of Unamortized Discount	311,127	254,917	199,871	150,043	111,826	80,206
Percentage Remaining	100%	82%	64%	48%	36%	26%

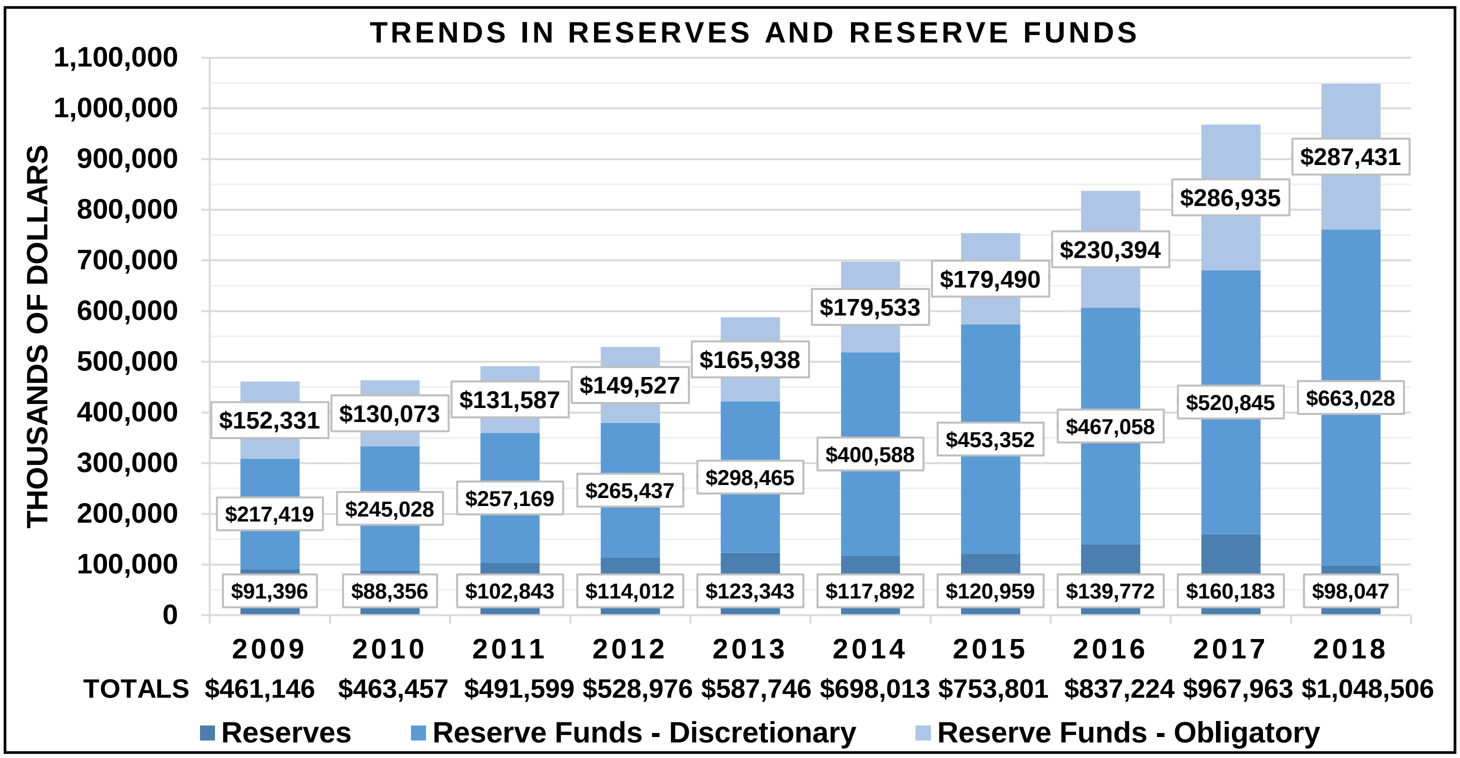
2018 Financial Results (continued)

Reserves and Reserve Funds

At December 31, 2018, the City of London had combined Reserves, and Discretionary and Obligatory Reserve Funds of $1,049 million ($98 million and $951 million respectively). These balances reflect a net increase of $81 million from December 2017, created by increased contributions to reserves and reserve funds to allow, predominantly, for future purchases of tangible capital assets and coverage of unfunded liabilities.

The following table shows the ten year trend in year end equity balances. The table below does not include the effect of budgeted commitments made, which would reduce balances significantly.

Table 6: Ten Year Overview of Reserves and Reserve Funds ($000's)



In 2018, Reserve Funds grew by $143 million, reaching $951 million by year-end. The majority of funds grew due to increased contributions; others were drawn down to fund operations as well as the purchase of capital assets.

Reserves decreased by $62 million over 2017 balances.

The City has continued its "conservative fiscal practices" (Moody's credit rating opinion) by providing increased contributions to the reserve funds year-over-year, despite significant purchases of tangible capital assets.

Five Year Review and General Statistics

Five Year Review ($000's)

	2018	2017	2016	2015	2014
TAXATION (including education)					
Residential & Farm	**$522,543**	$507,405	$494,636	$477,128	$457,611
Commercial & Industrial	**228,132**	217,507	205,030	202,893	200,757
	$750,675	$724,912	$699,665	$680,021	$658,368
TOTAL TAXES RECEIVABLE	**$29,792**	$28,937	$31,388	$34,897	$35,007
TAX ARREARS					
Percentage of Current Levy	**4.0%**	4.0%	4.5%	5.1%	5.3%
TAX RATES (%) (including all area rates & education)					
Residential	**1.350819**	1.360444	1.362611	1.366710	1.367795
Multi-Residential	**2.290515**	2.361127	2.405666	2.479835	2.509294
Commercial	**3.618981**	3.693816	3.690491	3.714835	3.766294
Industrial	**3.618981**	3.693816	3.790491	3.814835	4.145845
TOTAL LONG TERM DEBT					
General Municipal Rates	**$163,414**	$164,844	$170,906	$184,389	$191,654
Water Rates	**15,638**	18,927	18,724	16,916	11,118
Sewer Rates	**50,346**	55,551	61,922	70,416	74,463
Municipal Reserve Funds	**75,590**	62,653	60,869	62,227	61,748
	$304,988	$301,975	$312,421	$333,948	$338,983
DEBT PRINCIPAL & INTEREST REPAYMENTS					
Principal	**$51,988**	$49,361	$ 48,422	$44,202	$44,922
Interest and debenture discount	**9,605**	9,698	10,303	10,985	11,514
	$61,593	$59,059	$58,725	$55,187	$56,436
DEBT ISSUED	**$55,000**	$41,000	$30,048	$40,500	$30,000
ASSESSMENT GROWTH	**1.27%**	0.91%	1.20%	1.17%	1.22%
TANGIBLE CAPITAL ASSETS ADDITIONS	**$576,142**	$453,959	$350,841	$317,708	$313,293
TANGIBLE CAPITAL ASSETS AMORTIZATION	**$172,672**	$162,828	$154,373	$147,713	$142,784
NET BOOK VALUE TANGIBLE CAPITAL ASSETS	**$3,900,059**	$3,749,717	$3,614,041	$3,486,341	$3,403,974
ANNUAL SURPLUS	**$272,392**	$166,359	$166,940	$144,808	$117,376
CONSOLIDATED ACCUMULATED SURPLUS	**$4,316,747**	$4,044,355	$3,877,996	$3,711,056	$3,566,248
RESERVES, DISCRETIONARY & OBLIGATORY RESERVE FUNDS	**$1,048,506**	$967,963	$837,224	$753,801	$698,013

Five Year Review and General Statistics (continued)

General Statistics and Indicators

While the following table provides statistics that are not specifically addressed within the Financial Statements, and are drawn from different sources, they do provide a frame of reference when considering the overall financial and economic environment in the City of London.

Table 8: General Statistics and Indicators

	2018	2017
GENERAL STATISTICS:		
Population[7]	**393,167**	387,275
Area in Acres	**104,632**	104,632
Number of Households[8]	**176,859**	175,342
Number of Properties[8]	**157,305**	154,988
Building Permit Values ($000's)[9]	**$1,008,066**	$1,123,805
Average Home Selling Price[10]		
London and St. Thomas	**$369,110**	$329,765
Ontario	**$569,048**	$584,279
Canada	**$488,044**	$508,717
Unemployment Rates (Annual Averages)[11]		
London	**5.6%**	5.9%
Ontario	**5.6%**	6.0%
Canada	**5.8%**	6.3%
CPI Canada (percentage change)[11]	**2.3%**	1.6%
Real GDP Canada (percentage change)[11]	**2.3%**	3.1%

[7] Provided by City's Planning Service Area and Statistics Canada, May 2019
[8] Municipal Property Assessment Corporation, https://www.mpac.ca/
[9] Provided by City's Building Division
[10] London-St. Thomas Real Estate Board and The Canadian Real Estate Association, https://www.lstar.ca/ and https://www.crea.ca/
[11] Statistics Canada June 2019 and June 2018

Definitions

Amortization – the systematic allocation of the historical cost of a tangible capital asset over its useful life.[12]

Accumulated Amortization – the total amortization pertaining to a tangible capital asset from the time the asset was placed into service until the date of the financial statement.[12]

Assets under Construction – tangible capital assets under construction at the end of the fiscal year that have not been put into service (e.g., engineered structures, buildings, land improvements).[12]

Consolidated Financial Statements – statements containing financial information for the municipality and it's owned or controlled organizations (e.g., fire, library).[12]

Contributed Assets – assets that have been transferred or donated to the municipality and that will provide a future economic benefit.[12]

Deferred Revenue – income received that will not be recorded as revenue until certain transactions or events take place.[12]

Development charges - a revenue tool designed to help municipalities to pay for a portion of growth-related capital costs incurred to provide services to new residents and businesses. Some of the services for which a municipality may charge a development charge include roads, water and wastewater, police and fire services, and transit. Development charges pay for increased capital costs relating to growth. They do not pay for operating costs or for the future repair of infrastructure.[13]

Equity in Tangible Capital Assets – the net book value of recorded tangible capital assets less capital debt.[12]

Expenditure – an outlay of cash, payment or disbursement.[12]

Expense – the cost to the municipality of an activity. This can be cash or non-cash cost (e.g., wages, materials, amortization).[12]

Financial Assets – current cash resources plus any items or holdings that are expected to be converted into cash in the future.[12]

Government Transfers – entitlements, transfers under cost-share agreements, and/or grants from other levels of government.[12]

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[12] Ministry of Municipal Affairs and Housing, *Common Language Guide to Municipal Financial Statements* (Toronto: Queen's Printer for Ontario, 2016).
[13] Ministry of Municipal Affairs and Housing, "The Fiscal Context," *The Ontario Municipal Councillor's Guide 2018.*

Definitions (continued)

Net Book Value – the total cost of a tangible capital asset minus the accumulated amortization and any write-down of the asset.[12]

Net Financial Assets (Net Debt) – an amount equal to the total financial assets less the total liabilities.[12]

Reserves and reserve funds - are included in the accumulated surplus of the municipality. They are both used, among other things, to account for transactions which, for legal or policy reasons, require that amounts specifically earmarked for a project or purpose be identified and spent on that project or activity. Usually, the purpose is specified when the reserve or reserve fund is established. Reserve fund uses generally are not converted to other uses without council's approval.[12]

Statement of financial position - provides information about the municipality's financial position in terms of its assets (what the municipality owns or controls) and liabilities (what the municipality owes) at the end of the fiscal year or accounting period. It reports the municipality's net debt, and its accumulated surplus or deficit, because these figures are indicators that can be used to assess a municipality's financial position.
Net debt shows the amount of future revenues that will have to be raised to pay for past transactions and events. The accumulated surplus/deficit is the primary indicator of the resources (financial and physical) the municipality has available to provide future services.[13]

Statement of operations - reports the revenues, expenses, results, and surplus or deficit from operations in the fiscal year or accounting period. The statement shows the cost of municipal services provided in the period, the revenues recognized in the period and the difference between them. It summarizes cost-of-service information at a functional level – for example, social services, recreation, general government, transportation and protection, to name a few.[13]

Statement of change in net financial assets (debt) - explains the difference between the annual surplus or deficit and the change in net financial assets (debt). It tracks what the municipality has spent to acquire tangible capital assets and inventories of supplies. It reports on the disposal of tangible capital assets and the use of inventory.[13]

Statement of cash flow - identifies where cash came from, shows how cash was used and provides details on changes in cash and cash equivalents since the previous reporting period. Sources and uses of cash are reported by major activity: operations, capital transactions (acquisitions and disposals), investments (purchases and disposals), and financing (debt proceeds and payments).[13]

Tangible Capital Assets – non-financial assets having a physical substance that are held for use in the supply of goods and services, have economic lives beyond the accounting period, are used on a continuing basis and are not for sale in the ordinary course of operations (e.g., bridge, snow plow).[12]

Consolidated Financial Statements of

THE CORPORATION OF THE CITY OF LONDON

And Independent Auditors' Report thereon

December 31, 2018

INTRODUCTION

The accompanying Consolidated Financial Statements, and all other financial information included within this financial report, are the responsibility of the management of the City of London. The City's Financial Statements contained in this report have been prepared in accordance with the accounting principles and disclosure requirements of the Chartered Professional Accounts (CPA) of Canada Public Sector Accounting Handbook.

The City Treasurer is responsible for submitting annually, to the Audit Committee and Council, audited financial statements. These financial statements include the consolidated results of the City of London for the fiscal year ending December 31, 2018.

Finance staff are responsible for the coordination and completion of the annual financial statements in a timely, accurate and efficient manner as well as providing support and related financial information to external auditors during the year-end audit.

The Consolidated Financial Statements of the City of London provide important information about the overall financial condition of the City. The purpose of the consolidated financial statements is to present the results of transactions of the City, taking into consideration the accounting for all City Funds and associated city business enterprises.

The audited Consolidated Financial Statements for City operations include:

- Auditors' Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Operations
- Consolidated Statement of Change in Net Financial Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements
- Consolidated Schedule of Segment Disclosure – Operating Revenues
- Consolidated Schedule of Segment Disclosure – Operating Expenses

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

Opinion

We have audited the consolidated financial statements of the Corporation of the City of London (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the "Financial Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the "Financial Report" as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 2019

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Position
As at December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	2018	2017
Financial assets		
Cash and cash equivalents (Note 2)	**$ 490,040**	$ 400,503
Accounts receivable		
Taxes receivable (Note 3)	**23,072**	22,374
Other receivables	**80,299**	66,313
Land held for resale	**33,899**	32,928
Investments (Note 4)	**565,851**	537,238
Loan receivable (Note 5)	**24,130**	24,393
Investment in government business enterprises and partnerships (Note 6)	**189,381**	180,977
Total financial assets	**1,406,672**	1,264,726
Financial liabilities		
Accounts payable and accrued liabilities	**170,387**	165,010
Deferred revenue (Note 7)	**319,839**	317,043
Accrued interest on long-term debt	**2,051**	2,305
Long-term liabilities (Note 8)	**7,700**	10,100
Long-term debt (Note 9)	**303,427**	300,515
Capital lease obligations (Note 10)	**1,082**	1,835
Urban works payable (Note 11)	**9,424**	3,826
Employee benefits payable (Note 12)	**159,545**	154,874
Landfill closure and post-closure liability (Note 13)	**39,190**	36,692
Total financial liabilities	**1,012,645**	992,200
Net financial assets	**394,027**	272,526
Non-financial assets		
Tangible capital assets (Note 14)	**3,900,059**	3,749,717
Inventories of supplies	**4,840**	4,543
Prepaid expenses	**17,821**	17,569
Total non-financial assets	**3,922,720**	3,771,829
Accumulated surplus (Note 15)	**$ 4,316,747**	$ 4,044,355

Contingent liabilities, loan guarantees, commitments (Notes 16, 17, 18)

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Operations
For the year ended December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	Budget	2018	2017
Revenues			
Net municipal taxation	$ 596,888	**$ 604,712**	$ 581,481
User charges	277,770	**286,353**	275,948
Transfer payments			
Provincial	258,272	**269,676**	245,325
Federal	22,883	**56,016**	30,965
Other municipalities	5,542	**5,644**	5,317
Investment income	3,574	**18,628**	12,167
Penalties and interest	6,538	**7,984**	8,225
Development charges earned	20,475	**50,086**	13,747
Developer contributions of tangible capital assets (Note 14)	44,041	**73,284**	36,759
Other	29,150	**37,007**	27,411
Equity in earnings of government business enterprises and partnerships (Note 6)	5,362	**13,405**	12,883
Total revenues	1,270,495	**1,422,795**	1,250,228
Expenses			
General government	98,898	**97,739**	93,311
Protection to persons and property	204,978	**200,632**	199,450
Transportation services	190,161	**212,543**	185,306
Environmental services	171,960	**186,257**	181,562
Health services	25,687	**25,580**	25,037
Social and family services	264,029	**254,943**	234,535
Social housing	45,919	**54,161**	50,465
Recreation and cultural services	82,746	**85,456**	81,848
Planning and development	27,572	**33,092**	32,355
Total expenses	1,111,950	**1,150,403**	1,083,869
Annual surplus	158,545	**272,392**	166,359
Accumulated surplus, beginning of year	4,044,355	**4,044,355**	3,877,996
Accumulated surplus, end of year	$ 4,202,900	**$ 4,316,747**	$ 4,044,355

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	Budget	2018	2017
Annual surplus	$ 158,545	**$ 272,392**	$ 166,359
Acquisition of tangible capital assets	(259,685)	**(257,281)**	(276,037)
Developer contributions of tangible capital assets	(44,040)	**(73,284)**	(36,759)
Amortization of tangible capital assets	149,300	**172,672**	162,828
Proceeds from sale of tangible capital assets	-	**7,581**	15,458
Loss (gain) on disposal of tangible capital assets	-	**(30)**	(1,166)
	(154,425)	**(150,342)**	(135,676)
Change in inventories of supplies	-	**(297)**	(368)
Change in prepaid expenses	-	**(252)**	7,072
	-	**(549)**	6,704
Change in net financial assets	4,120	**121,501**	37,387
Net financial assets, beginning of year	272,526	**272,526**	235,139
Net financial assets, end of year	$ 276,646	**$ 394,027**	$ 272,526

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Cash Flows
For the year ended December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	2018	2017
Cash provided by (used in)		
Operating Activities		
Annual surplus	**$ 272,392**	$ 166,359
Items not involving cash		
Amortization of tangible capital assets	**172,672**	162,828
Developer contributions of tangible capital assets	**(73,284)**	(36,759)
Loss (gain) on disposal of tangible capital assets	**(30)**	(1,166)
Change in employee benefits payable	**4,671**	5,699
Change in landfill closure and post-closure liability	**2,498**	2,255
Equity in earnings of government business enterprises and partnerships	**(14,220)**	(13,785)
Amortization of debenture discount	**(100)**	(13)
Change in non-cash assets and liabilities		
Taxes receivable	**(698)**	2,656
Other receivables	**(13,986)**	(11,960)
Land held for resale	**(971)**	(383)
Accounts payable and accrued liabilities	**5,377**	(9,990)
Deferred revenue	**2,796**	58,287
Accrued interest on long-term debt	**(254)**	373
Urban works payable	**5,598**	572
Inventories of supplies	**(297)**	(368)
Prepaid expenses	**(252)**	7,072
Net change in cash from operating activities	**361,911**	331,677
Capital Activities		
Proceeds from sale of tangible capital assets	**7,581**	15,458
Acquisition of tangible capital assets	**(257,281)**	(274,401)
Net change in cash from capital activities	**(249,700)**	(258,943)
Investing Activities		
Net decrease (increase) in investments	**(28,613)**	5,650
Repayment of loans receivable	**263**	387
Repayment of promissory note receivable from government business enterprises	**855**	803
Government business enterprises and partnerships	**(39)**	99
Dividends from London Hydro Inc. (Note 6 (a)(v))	**5,000**	5,000
Net change in cash from investing activities	**(22,534)**	11,939
Financing Activities		
Long-term debt issued	**55,000**	38,915
Long-term debt repayments	**(51,987)**	(49,361)
Repayments of long-term liabilities	**(2,400)**	(2,815)
Repayments of capital lease obligations	**(753)**	(1,182)
Net change in cash from financing activities	**(140)**	(14,443)
Net change in cash and cash equivalents	**89,537**	70,230
Cash and cash equivalents, beginning of year	**400,503**	330,273
Cash and cash equivalents, end of year	**$ 490,040**	$ 400,503

The accompanying notes are an integral part of these consolidated financial statements.

The Corporation of the City of London (the "Corporation") is a municipality in the Province of Ontario incorporated in 1855 and operates under the provisions of the *Municipal Act, 2001*.

1. Significant Accounting Policies

The consolidated financial statements of the Corporation are prepared by management, in accordance with Canadian public sector accounting standards as defined in the CPA of Canada Public Sector Handbook – Accounting. Significant accounting policies are as follows:

a) Basis of Consolidation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Corporation and include all organizations that are accountable to the Corporation for the administration of their financial affairs and resources and are owned or controlled by the Corporation except for the Corporation's government business enterprises or partnerships which are accounted for on the modified equity basis of accounting.

(i) Consolidated Entities

The following local Boards or Commissions are consolidated:

Argyle Business Improvement Association Board of Management
Covent Garden Market Corporation
Eldon House Corporation
Housing Development Corporation, London
Hyde Park Business Improvement Association Board of Management
London & Middlesex Community Housing
London Convention Centre Corporation
London Downtown Business Association
London Police Services Board
London Public Library Board
London Transit Commission
Museum London
Old East Village Business Improvement Area
Public Utility Commission

The transactions and balances between the Corporation and the related boards or commissions have been eliminated.

1. Significant Accounting Policies (continued)

a) Basis of Consolidation (continued)

(ii) Equity Accounting

Government business enterprises are accounted for by the modified equity method. Under the modified equity method, the accounting principles of government business enterprises are not adjusted to conform to the Corporation's accounting principles and inter-organizational transactions and balances are not eliminated. However, inter-organizational gains and losses are eliminated on assets remaining with the government reporting entities at the reporting date. The Corporation recognizes its equity interest of the government business enterprises' income or loss in its consolidated statement of operations with a corresponding increase or decrease in its investment account. All dividends received will be reflected as reductions in the investment account.

The government business enterprises and partnerships during the year were:

London Hydro Inc.
Fair-City Joint Venture
City-YMCA Joint Venture

(iii) Proportionate Consolidation

The Lake Huron and Elgin Area Water Boards have been consolidated on a proportionate basis, based upon the water flow used by the Corporation in proportion to the entire flows provided by the joint water boards.

Middlesex-London Health Unit is consolidated on a proportionate basis based upon a percentage of grant money provided by the Corporation in comparison to grant money provided by the Province of Ontario and the County of Middlesex.

(iv) Accounting for School Board Transactions

Although the Corporation collects taxation on behalf of the School Boards, the assets, liabilities, revenues and expenses, relating to the operations of the school boards are not reflected in these consolidated financial statements.

During the year, **$143,420** of taxation was collected on behalf of school boards (2017 - $141,363) and remitted to the school boards during the year.

1. Significant Accounting Policies (continued)

a) Basis of Consolidation (continued)

(v) Trust Funds

Trust funds and their related operations administered by the Corporation are not included in these consolidated financial statements, as they are reported on separately in the Trust Fund Statement of Continuity and Balance Sheet.

Total net assets of Trust Funds administered by the Corporation amounted to **$4,301** (2017 - $4,344).

b) Basis of Accounting

(i) Accrual Accounting

Revenues and expenses are reported on the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Deferred Revenue

The Corporation receives contributions pursuant to legislation, regulations or agreements that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(iii) Land Held for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

1. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(iv) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

a) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets, excluding land, is amortized on a straight line basis over their estimated useful lives as follows:

Table 1: Tangible Capital Asset Useful Life

Asset	**Useful Life – Years**
Landfill and land improvements	5 – 40
Buildings and building improvements	10 – 40
Leasehold improvements	Lease term
Machinery, equipment and furniture	7 - 20
Vehicles	5 - 7
Water and wastewater infrastructure	10 - 100
Roads infrastructure	10 - 80
Computers	3, 4 & 8
Computers under capital lease	3

Amortization is charged using the half year rule in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions related to water, wastewater infrastructure, roads infrastructure and land are recorded at their estimated fair value at the date they are assumed by the Corporation, and are also recorded as revenue.

1. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(iv) Non-Financial Assets (continued)

c) Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

d) Interest Capitalization

The Corporation does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

e) Leased Tangible Capital Assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

f) Inventories of Supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(v) Budget Figures

London City Council completes separate budget reviews for tax supported operating and capital, as well as water and wastewater budgets each year. Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board (PSAB), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

1. Significant Accounting Policies (continued)

b) Basis of Accounting (continued)

(vi) Use of Estimates

The preparation of these consolidated financial statements, in accordance with Canadian Public Sector Accounting standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. These estimates and assumptions, including employee benefits payable, taxation assessment appeals, legal claims provisions, landfill closure and post-closure liabilities, the valuation of tangible capital assets and their related useful lives and amortization and liabilities for contaminated sites, are based on management's best information and judgment and may differ significantly from future actual results.

c) Government Transfers

(i) Revenues

Government transfer revenue is recorded once it is authorized by the transferring government. The Corporation is eligible to receive the transfer and the amount can be reasonably estimated. Any amount received but restricted is recorded as deferred revenue in accordance with Section 3100 of the Canadian Public Sector Accounting handbook and recognized as revenue in the period in which the resources are used for the purpose specified.

Government transfers include amounts received for the social assistance program. Funding ratios can vary from 80% to 100% of program costs depending on social service program and on the Provincial Upload Schedule for the Ontario Works program. Social service administration funding covers 50% of certain administration costs. The Social Housing program funding is approximately 20% of costs of the program.

In addition, the Corporation periodically receives senior government capital funding in the form of infrastructure grants and receives ongoing funding from Provincial and Federal senior levels of government as a result of an allocation of gas tax funds.

1. Significant Accounting Policies (continued)

c) Government Transfers (continued)

(ii) Expenses

External transfers from the Corporation are recorded as expenses when eligibility criteria have been met by the recipient and the amount can be reasonably estimated. This includes payments issued to individuals eligible under the *Ontario Works Act* and *Day Nurseries Act* as well as funding to contracted local social services agencies, Child Care providers and Housing Providers that deliver services in accordance with legislation and local program policies.

d) Tax Revenues

In 2018 the Corporation received **$604,712** (2017 - $581,481) in property tax revenues for municipal purposes. The authority to levy and collect property taxes is established under the *Municipal Act, 2001*, the *Assessment Act*, the *Education Act*, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the costs of education on a Province-wide basis.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The Corporation may receive supplementary assessment rolls over the course of the year from the Municipal Property Assessment Corporation that identify new or omitted assessments. Property taxes for these supplementary/omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced as a result of reductions in assessment values arising from assessment and/or tax appeals. Each year, an amount is identified to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

1. Significant Accounting Policies (continued)

e) Financial Instruments

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivables, investments, loans receivable, accounts payable and accrued liabilities, long-term debt, long-term liabilities and urban works payable. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

f) Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. Investments consist of authorized investments pursuant to provisions of the Municipal Act and comprise government and corporate bonds, debentures, pooled investment funds and short-term instruments of various financial institutions. Investments with original maturity dates greater than 90 days are classified as investments in the consolidated statement of financial position.

Investment income earned on available current funds, reserves and reserve funds (other than obligatory funds) are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the respective deferred revenue balances.

g) Contaminated Sites

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- an environmental standard exists,
- contamination exceeds the environmental standard,
- the organization is directly responsible or accepts responsibility for the liability,
- future economic benefits will be given up, and
- a reasonable estimate of the liability can be made.

1. Significant Accounting Policies (continued)

h) Employee Benefits Payable

The Corporation provides employee benefits including sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, life insurance and extended health and dental benefits for early retirees which will require funding in future periods.

There are also contributions to a multi-employer, defined benefit pension plan, OMERS, which are expensed when contributions are made.

The costs of termination benefits and compensated absences are recognized when the event that obligates the Corporation occurs. Costs include projected future income payments, healthcare continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation and expected health costs.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted at the Corporation's cost of borrowing using estimated rates for debt with maturities similar to expected benefit payments in the future. The costs of workplace safety and insurance obligations are actuarially determined and are expensed immediately in the period the events occur.

i) Loan Guarantees

Periodically the Corporation provides loan guarantees on specific debt held by related authorities not consolidated in the Corporation's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of the Corporation until the Corporation considers it likely that the borrower will default on the specified loan obligation. Should a default occur the Corporation's resulting liability would be recorded in the consolidated financial statements.

1. Significant Accounting Policies (continued)

j) Environmental Provisions

The Corporation has a formal environmental assessment and reclamation program in place to ensure that it complies with environmental legislation. The Corporation provides for the cost of compliance with environmental legislation when costs are identified and can be reasonably measured.

k) Provision for Landfill Rehabilitation

The *Ontario Environmental Protection Act* sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of landfill sites. This requirement is being provided for over the estimated remaining life of the landfill sites based on usage, and is funded through tipping fees. The annual provision is reported as an operating expense, and the accumulated provision is reported as a liability on the consolidated statement of financial position.

l) Accumulated Surplus

Accumulated surplus represents the Corporation's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Corporation has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

m) Adoption of New Accounting Policies

(i) Related Party Disclosures

The Corporation adopted Public Sector Accounting Standard PS2200 *Related Party Disclosures* effective as of January 1, 2018. Under PS2200, related parties could be either an entity or an individual. Related parties exist when one party has the ability to control or has shared control over another party. Individuals that are key management personnel or close family members may also be related parties.

Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the consolidated financial statements. Material financial impact would be based on an assessment of the terms and conditions underlying the transaction, the financial materiality of the transaction, the relevance of the information and the need for the information to enable the users to understand the financial statements.

1. Significant Accounting Policies (continued)

m) Adoption of New Accounting Policies (continued)

(i) Related Party Disclosures (continued)

This standard also specifies the information required to be disclosed including the type of transactions, amounts classified by financial statement category, the basis of measurement, and the amounts of any outstanding items, any contractual obligations and any contingent liabilities. The standard also requires disclosure of related party transactions that have occurred where no amounts has been recognized.

The adoption of this standard did not result in an accounting policy change, and did not result in any adjustments to the financial statements as at January 1, 2018.

(ii) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Standard PS3420 *Inter-entity Transactions*, effective January 1, 2018. The standard specifies how to account for transactions between public sector entities within the government reporting entity. This standard relates to the measurement of related party transactions for both the provider and the recipient. Transactions are recorded at carrying amounts with the exception of the following:

- Transactions in the normal course of business are recorded at exchange amount.
- Transactions with fair value consideration are recorded at exchange amount.
- Transfer of an asset or liability at nominal or no consideration is recorded by the provider at carrying amount and the recipient has the choice of either carrying amount or fair value.
- Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis.
- Unallocated costs for the provision of goods or services may be recorded by the provider at cost, fair value or another amount dictated by policy, accountability structure or budget practice.

(ii) Inter-entity Transactions (continued)

The adoption of this standard did not result in an accounting policy change, and did not result in any adjustments to the Financial Statements as at January 1, 2018.

n) Future Accounting Changes

(i) Foreign Currency Translation

PSAB released a revised standard related to *Foreign Currency Translation* (PS 2601). The standard has been deferred and applies to all local governments for fiscal years beginning on or after April 1, 2021. The standard requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Gains and losses yet to be settled are presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(ii) Financial Instruments

PSAB released a standard related to *Financial Instruments* (PS 3450). The standard has been deferred and applies to all local governments for fiscal years beginning on or after April 1, 2021. The standard applies to all types of financial instruments (primary and derivatives). In the year that the standard is adopted, Foreign Currency Translation (PS 2601) must also be adopted. The new standard requires equity and derivative instruments be measured at fair value, with changes in value being recorded in a statement of re-measurement gains/losses. The standard gives the option of cost/amortized cost vs. fair value for remaining instruments, which is elected upon by the government organization. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

1. Significant Accounting Policies (continued)

n) Future Accounting Changes (continued)

(iii) Restructuring Transactions

The standard, PS 3430 *Restructuring Transactions*, prescribes measurement standards and disclosure requirements when a restructuring transaction exists. A restructuring transaction in the public sector differs from an acquisition as they generally include either no or nominal payment. It also differs from a government transfer as the recipient would be required to assume the related program or operating responsibilities. The standard requires that assets and liabilities are to be measured at their carrying amount. It also prescribes financial statement presentation and disclosure requirements. This standard is effective for fiscal periods beginning on or after April 1, 2018 and would come into effect for the Corporation's December 31, 2019 year end. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(iv) Asset Retirement Obligations

In August 2018, PSAB issued the new standard, Section PS 3280, *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as buildings with asbestos, and solid waste landfill sites by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability*.

The new accounting standard proposes similar accounting for asset retirement obligations as in private sector accounting. An asset retirement obligation would be recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

1. Significant Accounting Policies (continued)

n) Future Accounting Changes (continued)

(iv) Asset Retirement Obligations (continued)

Public sector entities would be required to capitalize asset retirement obligations associated with fully amortized tangible capital assets, except in the following instances:

- Asset retirement obligations associated with unrecognized tangible capital assets should be expensed;
- Asset retirement obligations associated with tangible capital assets no longer in productive use should be expensed.

The estimate of a liability should include costs directly attributable to asset retirement activities. Costs would include post-retirement operations, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset. It would also include costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

The new Section is to apply to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. This Section may be applied retroactively or prospectively. If retroactive application is selected, a public sector entity may choose to apply certain transitional provisions provided in the Section. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

(v) Revenue

In June 2018, PSAB approved Section PS 3400, *Revenue*. The framework is focused on two categories of revenue - exchange and unilateral. Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time. If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources. Excluded from this standard are reporting of contributions and appropriations which continue to be accounted for as government transfers, and tax revenues, interest, dividends, gains and restricted assets.

(all dollar amounts in thousands of dollars)

1. Significant Accounting Policies (continued)

n) Future Accounting Changes (continued)

(v) Revenue (continued)

The proposed new section is expected to apply to fiscal years beginning on or after April 1, 2022, and be accounted for as a change in accounting policy applied retroactively with restatement of prior periods. The Corporation has not yet determined what, if any, financial reporting implications may arise from this standard.

2. Cash and Cash Equivalents

Table 2: Cash and Cash Equivalents

	2018	2017
Cash on deposit	**$479,882**	$355,155
Cash equivalents	**10,158**	45,348
	$490,040	$400,503

Cash equivalents are comprised mainly of term deposits with original maturities of 90 days or less and are recorded at cost.

3. Taxes Receivable

Taxes receivable are reported net of allowance for doubtful accounts. As at December 31, the balances are as follows:

Table 3: Taxes Receivable

	2018	2017
Taxes receivable	**$28,057**	$27,377
Penalties and interest	**1,735**	1,560
Allowance for doubtful accounts	**(6,720)**	(6,563)
	$23,072	$22,374

(all dollar amounts in thousands of dollars)

4. Investments

Investments are comprised of the following:

Table 4: Investments

	2018 Cost	**2018 Market Value**	2017 Cost	2017 Market Value
Pooled investment funds	**$ 6,769**	**$ 6,744**	$ 3,253	$ 4,021
Government fixed income	**119,927**	**117,890**	113,277	111,967
Corporate fixed income	**326,568**	**327,377**	293,618	294,666
Asset backed securities	**109,112**	**108,560**	124,904	123,367
Other investments	**3,475**	**3,475**	2,186	2,186
	$565,851	**$564,046**	$537,238	$536,207

5. Loan Receivable

Table 5: Loan Receivable

	2018	2017
Subordinate Loan – City of London Arena Trust	**$24,130**	$24,393

The Corporation previously transferred a capital asset to the City of London Arena Trust, in return for a subordinate loan. This investment is secured by a mortgage charge and assignment of the borrower's interest in the Ground Lease of the Budweiser Gardens building, an assignment of the borrower's interest in the Participatory Occupancy Lease, a general assignment of all present and future subleases, a security interest in the Capital Repair Fund, and a security interest in the trust fund. Repayments vary and are based on an available cash flow calculation within the 50 year agreement. During the year, **$263** (2017 - $387) was received as a payment on the loan.

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships

The Corporation holds a 100% interest in London Hydro Inc., a 41.4289% (2017 – 41.4289%) interest in the Fair-City Joint Venture Partnership and a 73.432% interest in the City-YMCA Joint Venture Partnership based upon investments as follows:

Table 6: Investment in Government Business Enterprises and Partnerships

		2018	2017
London Hydro Inc.	a)	**$169,329**	$159,833
Fair-City Joint Venture Partnership	b)	**4,603**	5,196
City-YMCA Joint Venture Partnership	c)	**15,449**	15,948
		$189,381	$180,977

a) Investment in London Hydro Inc.

The following table provides condensed supplementary financial information reported separately by London Hydro Inc.:

Table 7: Investment in London Hydro Inc. – Financial Position

	2018	2017
Financial Position		
Current assets	**$ 79,563**	$ 82,519
Capital assets	**329,275**	306,167
Total assets	**408,838**	388,686
Regulatory balances	**17,166**	5,832
Total assets and regulatory balance	**426,004**	394,518
Current and other liabilities	**63,675**	62,417
Deferred revenue	**35,452**	29,955
Post-employment benefits	**13,895**	15,213
Long-term debt	**141,522**	118,826
Total liabilities	**254,544**	226,411
Regulatory balances	**2,131**	8,274
Total liabilities and regulatory balances	**256,675**	234,685
Net assets	**$169,329**	$159,833

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships (continued)

a) Investment in London Hydro Inc. (continued)

Table 8: Investment in London Hydro Inc. - Results of Operations

	2018	2017
Results of Operations		
Revenues	**$423,843**	$448,758
Operating expenses	**(419,840)**	(433,720)
Other income (expenses)	**(2,261)**	23
Income tax expense	**(4,312)**	(4,553)
Net movement in regulatory balances	**17,066**	3,544
Net earnings	**14,496**	14,052
Dividends	**(5,000)**	(5,000)
Net assets, beginning of year	**159,833**	150,781
Net Assets, End of Year – **Investment in London Hydro Inc.**	**$169,329**	$159,833

i) Regulated Business Operations and Distribution Rates

London Hydro Inc. ("the Company") is a wholly-owned subsidiary company of the Corporation and delivers regulated electricity and related energy services to the inhabitants of the City of London.

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. The OEB has responsibility to set just and reasonable distribution rates and thereby approves all of the Company's distribution and ancillary rates. The Company's distribution revenue is determined by applying those regulated rates to customers and their consumption of electricity in the Company's distribution territory, as established by its distribution license granted by the OEB.

6. Investment in Government Business Enterprises and Partnerships (continued)

a) Investment in London Hydro Inc. (continued)

ii) Regulatory Balances

The Ontario Energy Board allows distribution companies to recover amounts incurred for certain transitional costs as well as certain costs associated with the discretionary metering activities under the Provincial Smart Meter Program which have been authorized to be recovered through the rates. Net regulatory debit balances for 2018 totalled **$17,166** (2017 - $5,832). Net regulatory credit balances for 2018 totalled **$2,131** (2017 – $8,274).

iii) Commitments

The Company has provided **$6,600** (2017 - $6,600) in bank standby letters of credit to the independent Electricity System Operator, as required by regulation.

The Company has vendor commitments in connection with projects of **$700** (2017 - $23,200).

The Company has committed to operating lease agreements with future minimum non- cancellable annual lease payments of **$1,104** (2017 - $1,126).

iv) Credit Facilities

The Company has an uncommitted operating revolving line of credit facility of $40,000. As at December 31, 2018 the amount drawn under this facility was **nil** (2017 - nil).

The Company has a committed 364 day extendible operating revolving loan facility of $30,000. The amount drawn under this facility was **$15,000** (2017 - $30,000). The loan has a maturity date of March 31, 2021.

The unsecured, committed extendible revolving loan in the amount of $30,000 outstanding at December 31, 2017 was subsequently repaid with additional borrowing in the amount of **$40,000** obtained February 1, 2018. The additional borrowing is under an interest rate swap agreement for an unsecured loan. Interest only payments are due quarterly and commenced March 2018. The principal is due at maturity. The agreement is a fixed rate swap and matures along with the debt in June 2022.

6. Investment in Government Business Enterprises and Partnerships (continued)

a) Investment in London Hydro Inc. (continued)

iv) Credit Facilities (continued)

The Company has an interest rate swap agreement for an unsecured loan in the amount of $85,000. Interest only payments are due quarterly and commenced December 2014. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022.

The Company has an interest rate swap agreement for an unsecured loan to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced October 2010 and are being amortized over a 9 year period ending August 2019. The agreement is a fixed rate swap and the balance outstanding at December 31, 2018 is **$1,522** (2017 - $3,826).

At December 31, 2018, the Company would be required to pay **$1,200** (2017 - $900) if it wished to cancel the swap agreements.

v) Related Party Transactions

The Corporation has contracted with London Hydro Inc. to provide billing and collection services for water and wastewater charges on a cost recovery basis. Expenses for the year were **$4,490** (2017 - $4,430) and are included on the consolidated statement of operations. At December 31, 2018, the Corporation has a receivable of **$14,300** (2017 - $13,319) for water and wastewater charges collected by London Hydro Inc. Miscellaneous receivables of **$1,667** (2017 –$212) are also outstanding at year end.

The Corporation, on behalf of the Public Utility Commission, charged London Hydro Inc. rent, totalling **$100** (2017 - $100).

The Corporation received **$5,000** (2017 - $5,000) in dividend payments, which were recorded as a reduction in the investment in government business enterprises.

vi) International Financial Reporting Standards (“IFRS”)

The Company’s financial statements have been prepared in accordance with IFRS.

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships (continued)

b) Fair-City Joint Venture Partnership

The following table provides condensed supplementary financial information reported separately by the Fair-City Joint Venture Partnership:

Table 9: Fair-City Joint Venture Partnership – Financial Position

	2018	2017
Financial Position		
Current assets	**$ 1,641**	$ 1,829
Capital assets	**11,263**	11,755
	12,904	13,584
Accrued liabilities	**1,851**	2,035
Deferred capital contributions	**3,019**	3,152
Long-term debt	**3,523**	4,518
Total liabilities	**8,393**	9,075
Net assets	**$ 4,511**	$ 3,879

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships (continued)

b) Fair-City Joint Venture Partnership (continued)

Table 10: Fair-City Joint Venture Partnership - Results of Operations

	2018	2017
Results of Operations		
Revenues	**$4,028**	$3,883
Operating expenses	**3,489**	3,325
Net earnings	**539**	558
Net earnings available to the Corporation	**223**	231
Distribution for employee future benefit re-measurements	**39**	(4)
Corporation's portion of earning retained in Joint Venture	**262**	227
Corporation's investment in Fair-City Joint Venture's net assets, beginning of year	**1,607**	1,475
Adjustment due to change in Corporation's share during year	**-**	(95)
Corporation's investment in Fair-City Joint Venture's net assets, end of year	**1,869**	1,607
Promissory note due to the Corporation	**2,734**	3,589
Investment in Fair-City Joint Venture Partnership	**$4,603**	$5,196

i) Contributions to Joint Venture

On September 1, 2000, the Corporation entered into a joint venture with the Western Fair Association, to construct and operate a four-pad arena complex.

The joint venture is in the form of a partnership, referred to as the Fair-City Joint Venture and the investment is held in the Civic Investment Reserve Fund.

In return for a contribution of $5,000 and a twenty-year loan of $12,000, the Corporation received an initial equity interest of 50% of the partnership. However, once the partnership prepaid $5,000 of the above-noted loan, and for every $1,000 repayment thereafter, the Corporation's equity interest will decrease by 2.857% until the loan is completely repaid and the equity interest has decreased to 30%. During the first five years of operation, 100% of profits from the joint venture were paid to the Western Fair Association.

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships (continued)

b) Fair-City Joint Venture Partnership (continued)

i) Contributions to Joint Venture (continued)

The Corporation's equity interest as at June 30, 2018 was 41.4289% (2017 – 41.4289%). The Venturers agreed to apply any change in the equity interest, prospectively, to the first day in the year that the threshold is met and to each year thereafter that subsequent repayment thresholds are met. In the current year **nil** (2017 - nil) of profit was available and distributed to the Corporation.

ii) Related Party Transactions

The Corporation has an Ice Rental Agreement with the Fair-City Joint Venture Partnership for 240 hours per year. **$1,836** was paid for ice rental in 2018 (2017 - $1,800), which was recorded as an expense in the consolidated statement of operations.

The partnership has a term loan, payable to the Corporation, bearing interest at 6.377%, payable in monthly blended payments of $88, due October 1, 2021, secured by a general security agreement over all assets. The balance outstanding at December 31, 2018 is **$2,734** (2017 - $3,589). During the year, the partnership paid interest to the Corporation in the amount of **$202** (2017 - $254), which was recorded as investment income in the consolidated statement of operations.

c) City-YMCA Joint Venture Partnership

The following table provides condensed supplementary financial information reported separately by the City-YMCA Joint Venture Partnership:

Table 11: City-YMCA Joint Venture Partnership - Financial Position

	2018	2017
Financial Position		
Capital assets	**$27,135**	$27,135
Accumulated amortization	**(6,097)**	(5,419)
Net Assets	**$21,038**	$21,716

(all dollar amounts in thousands of dollars)

6. Investment in Government Business Enterprises and Partnerships (continued)

c) City-YMCA Joint Venture Partnership (continued)

Table 12: City-YMCA Joint Venture Partnership - Results of Operations

	2018	2017
Results of Operations		
Amortization of capital assets	**$ 678**	$ 678
Net loss	**(678)**	(678)
Net assets, beginning of year	**21,716**	22,394
Net assets, end of year	**21,038**	21,716
Corporation's portion of net assets	**15,449**	15,948
Investment in City-YMCA Joint Venture Partnership	**$15,449**	$15,948

The Corporation entered into a joint venture agreement with the YMCA of Western Ontario (YMCA) in April 2009 to construct and operate the Stoney Creek Community Centre.

The Corporation was responsible for contributing the land, contributing costs related to construction of the building and running the construction project. The YMCA was responsible for contributing costs related to construction of the building. The Corporation's contributed share of the project was $19,929 or73.432%.

Construction of this facility was completed in October 2010.

The Joint Venture Partnership has entered into a 40 year lease with the YMCA. The basic annual rent to be paid to the Joint Venture Partnership by the YMCA is nominal. The Joint Venture Partnership does not earn any other type of revenue. In accordance with the lease agreement, the Joint Venture Partnership is not responsible for any costs, expenses or outlays relating to the premises. All capital and operating costs are the responsibility of the tenant, the YMCA.

At the end of the 40 year lease term, the Joint Venture Partnership will transfer the land and building representing the facility to the YMCA for consideration of nil. The transfer of the land and building will result in the dissolution of the Joint Venture Partnership in 2049.

(all dollar amounts in thousands of dollars)

7. Deferred Revenue

Deferred revenue on the consolidated statement of financial position is comprised of the following:

Table 13: Deferred Revenue

	2018	2017
Funds deferred to future periods for specific purposes by legislation, regulation or agreement:		
Development Charges Act		
- Recreation and transit	**$ 24,954**	$23,473
- Capital infrastructure	**200,985**	197,945
Federal and Provincial gas tax	**54,411**	59,086
Recreational land (*The Planning Act*)	**3,173**	2,600
Capital infrastructure for cultural services	**3,908**	3,381
	287,431	286,935
Other deferred revenue:		
Subsidy advances from Provincial Ministries for future periods	**21,397**	17,860
Prepaid deposits	**531**	380
Prepayment of recreation programs, facility rentals, memberships	**2,297**	2,154
Vacancy rebate allowances	**1,701**	2,764
Boards and commissions	**6,249**	6,730
Other deferred revenues	**233**	220
	$319,839	$317,043

(all dollar amounts in thousands of dollars)

8. Long-term Liabilities

The Corporation has committed to provide capital grants to Fanshawe College. Capital grants are subject to annual budget approval and are generally not liabilities, however, the Corporation has committed to these multi-year grants in advance and therefore these amounts are included in long-term liabilities.

Table 14: Long-term Liabilities

	Last year of obligation	**2018**	2017
Fanshawe College	2022	**$7,400**	$9,800
OMEX Insurance	2021	**300**	300
		$7,700	$10,100

(all dollar amounts in thousands of dollars)

9. Long-term Debt

Provincial legislation restricts the use of long-term debt to financing capital expenses only. Provincial legislation allows the Corporation to issue debt on behalf of school boards, other local boards, municipal enterprises and utilities. The responsibility of raising amounts to service these liabilities lies with the respective organization. The debt is a joint and several obligation of the Corporation and the respective organization.

Long-term debt is as follows:

Table 15: Long-term Debt

	2018	2017
Long-term debt issued by the Corporation at various rates of interest ranging from 0.90% to 5.88% (2017 - 0.80% to 5.88%), with maturity dates ranging from December 2021 to March 2028.	**$254,988**	$236,595
Long-term debt issued to Infrastructure Ontario programs at various rates of interest ranging from 2.45% to 4.44% (2017 – 2.45% to 4.44%), with maturity dates ranging from March 2020 to March 2030.	**48,946**	63,533
Long-term debt issued to Canada Mortgage and Housing Corporation at an interest rate of 3.23%, with a maturity date of March 2021.	**5,300**	6,957
Long-term debt issued to the Federation of Canadian Municipalities (FCM), as Trustee for the Green Municipal Fund, at various rates of interest ranging from 2.00% to 2.25% (2017 – 2.00% to 2.25%), with maturity dates ranging from April 2026 to May 2032.	**3,784**	4,160
Long-term debt, assumed by unconsolidated local Boards, and other municipalities, municipal enterprises and utilities.	**(8,030)**	(9,270)
Total long-term debt	**304,988**	301,975
Less: Unamortized debenture discount	**(1,561)**	(1,460)
Net long-term debt	**$303,427**	$300,515

(all dollar amounts in thousands of dollars)

9. Long-term Debt (continued)

Principal repayments are summarized as follows:

Table 16: Principal Repayment Summary

Recoverable from	2019	2020	2021	2022	2023	Beyond	**Total**
General	$30,417	$29,095	$26,386	$21,371	$18,106	$38,039	**$163,414**
Water	2,497	2,549	2,603	2,417	1,663	3,909	**15,638**
Sewer	8,683	8,654	8,346	5,207	4,239	15,217	**50,346**
Discretionary	4,322	4,453	2,034	2,096	1,166	490	**14,561**
Obligatory	7,963	8,106	8,264	7,155	6,627	22,914	**61,029**
	$53,882	$52,857	$47,633	$38,246	$31,801	$80,569	**$304,988**

Total charges which are included in the consolidated statement of operations are as follows:

Table 17: Principal Repayments - Total Charges

	2018	2017
Interest on long-term debt	**$9,288**	$9,404
Amortization of debenture discount	**268**	245
Interest on capital lease obligations	**49**	49
	$9,605	$9,698

(all dollar amounts in thousands of dollars)

10. Capital Lease Obligations

Table 18: Capital Lease Obligations

	2018	2017
2018	**$ -**	$ 802
2019	**462**	462
2020	**310**	310
2021	**256**	256
2022	**111**	111
Minimum lease payments	**1,139**	1,941
Less amount representing interest at 3.25% (2017 – 3.25%)	**57**	106
Present value of net minimum capital lease payments	**$1,082**	$1,835

11. Urban Works Payable

The Corporation operates a system of funding developer claims for construction of infrastructure works. The claimable works generally benefit areas beyond the boundaries of the subdivision or development which triggers the requirement for the works, and the cost of these works are shared through development charge collections administered by the Corporation through the Urban Works Reserve Funds.

Claims are subject to approval by the Corporation. Payment of approved claims are further subject to annual limits, and are only payable when sufficient funds have been accumulated to liquidate claims. Liquidation of approved claims may be delayed, until sufficient funds have accumulated to allow for their settlement.

As at December 31 of each year, the value of all completed work is recognized as a liability in the consolidated statement of financial position. Repayment of this liability remains subject to all of the rules of the Urban Works Reserve Funds, including a reliance on development charges received as the source for repayment. Payments for the infrastructure projects are made from both the Urban Works General Reserve Fund and the Urban Works Storm Management Reserve Fund. At December 31, there is **$5,602** (2017 - $4,275) in the Urban Works General Reserve Fund and **$5,889** (2017 - $4,542) in the Urban Works Storm Water Management Reserve Fund to fund this liability.

(all dollar amounts in thousands of dollars)

11. Urban Works Payable (continued)

The Urban Works liability represents works as at December 31, with completion status as follows:

Table 19: Urban Works - Liability

	2018	2017
In excess of the payment cap rules	**$1,280**	$ 494
Completed but no claim received	**8,144**	3,332
	$9,424	$3,826

The continuity breakdown is as follows:

Table 20: Urban Works - Continuity Breakdown

		Roads	Sanitary Sewers	Storm Sewer	Storm Water	Total
Urban Works Payable	**Dec 31, 2016**	**$1,053**	**$192**	**$254**	**$1,755**	**$3,254**
Expenses: Value of construction work completed	2017	682	(159)	-	1,976	2,499
Payments: From Urban Works Reserve Funds	2017	(614)	-	-	(1,313)	(1,927)
Urban Works Payable	**Dec 31, 2017**	**1,212**	**33**	**254**	**2,418**	**3,826**
Expenses: Value of construction work completed	2018	1,500	1,774	584	4,593	8,451
Payments: From Urban Works Reserve Funds	2018	(1,011)	(155)	(797)	(890)	(2,853)
Urban Works Payable	**Dec 31, 2018**	**$1,610**	**$1,652**	**$41**	**$6,121**	**$9,424**

(all dollar amounts in thousands of dollars)

11. Urban Works Payable (continued)

The estimated future repayments of developer claims are as follows:

Table 21: Urban Works - Estimated Future Developer Claims Repayment

2019	$9,424
Total	**$9,424**

On July 24, 2018, the City resolved at its municipal council meeting to implement the full retirement of the Urban Works Reserve Funds with the adoption of the 2019 Development Charges By-law. Prior approved claims and those claims that were subject to the payment cap rules will be paid out in 2019 to help facilitate the wind-up of the reserve funds. Where no claim has been submitted prior to the adoption of the 2019 Development Charges By-law, these claims submitted for eligible work will be funded from the respective City Services Reserve Fund.

12. Employee Benefits Payable

Employee future benefits are liabilities of the Corporation to its employees and early retirees for benefits earned but not taken as at December 31. Details are as follows:

Table 22: Employee Benefits Payable

		2018	2017
Post-employment and post-retirement benefits	a)	**$ 92,558**	$ 89,764
Workplace Safety and Insurance Board Obligation	b)	**48,817**	46,710
Vacation credits	c)	**16,450**	16,187
Vested sick leave benefits	d)	**1,720**	2,213
		$159,545	$154,874

Reserve funds and reserves have been established to partially provide for these employee benefit liabilities. The reserve fund balances at the end of the year are **$106,159** (2017 - $20,404), and the reserve balances at the end of the year are **$5** (2017 - $70,380) to fund these obligations.

(all dollar amounts in thousands of dollars)

12. Employee Benefits Payable (continued)

a) Post-Employment and Post-Retirement Benefits

The Corporation provides benefits, such as health, dental and life insurance to qualified retirees until they reach 65 years of age and provides certain benefits to employees on long-term disability. The liabilities reported in these consolidated financial statements are based on the most recent actuarial valuation prepared as of December 31, 2018.

The significant assumptions used in the actuarial valuations are as follows:

Table 23: Post-Employment and Post-Retirement Benefits – Assumptions

	2018 %	2017 %
Discount rate	**3.25**	3.25
Rate of compensation increase	**2.00**	1.90
Healthcare cost increases	**4.00 – 7.00**	4.00 - 7.00

The benefit obligation continuity is as follows:

Table 24: Employee Benefits Payable - Benefit Obligation Continuity

Liability for post-employment and post-retirement benefits:	**2018**	2017
Accrued benefit obligation, January 1	**$82,603**	$79,121
Current period benefit cost	4,552	4,377
Retirement interest expense	2,758	2,643
Plan amendment	644	-
Actuarial gain	(5,099)	-
Benefits paid	(3,771)	(3,538)
Accrued benefit obligation, December 31	81,687	82,603
Unamortized actuarial gain (loss)	10,871	7,161
Liability for post-employment and post-retirement benefits	**$92,558**	$89,764
Post-employment and post-retirement benefits expense:		
Current period benefit cost	**$ 4,552**	$ 4,377
Retirement interest expense	2,758	2,643
Plan amendment	644	-
Amortization of actuarial (gain) loss	(1,389)	(96)
Total post-employment and post-retirement benefit expense	**$ 6,565**	$ 6,924

12. Employee Benefits Payable (continued)

a) Post-Employment and Post-Retirement Benefits (continued)

The actuarial loss is amortized over the expected average remaining service life of the related employee group of 14 years (2017 – 13 years).

b) Workplace Safety and Insurance Board Obligation

The Corporation is a Schedule 2 employer under the Workplace Safety and Insurance Act, and as such assumes responsibility for financing its workplace safety insurance costs. The accrued obligation is determined using the estimated value of future benefit costs provided by WSIB and any additional information known to the Corporation about future obligations. All expected future payouts are discounted to December 31, 2018, using an appropriate discount rate.

c) Liability for Vacation Credits

Under the provisions of certain employee vacation plans, some vacation credits are earned as at December 31 but are generally unavailable for use until a later date. In addition, the provisions of certain plans allow the accumulation of vacation credits for use in future periods. The approximate value of these credits as at December 31, 2018 is **$16,450** (2017 - $16,187).

d) Liability for Vested Sick Leave Benefits

Under the sick leave benefit plan, certain unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Corporation's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to **$1,720** (2017 - $2,213) at December 31, 2018. During the year **$736** (2017 - $609) was paid to employees who left the Corporation's employment.

Reserve funds and reserves have been established to provide for this past service liability. The reserve funds balance at December 31, 2018 is **$1,852** (2017 - $2,546), and the reserves balance is **$5** (2017 - $5). An amount of **$42** (2017 - $38) has been contributed in the current year.

(all dollar amounts in thousands of dollars)

12. Employment Benefits Payable (continued)

d) Liability for Vested Sick Leave Benefits (continued)

Only employees of the Corporation which commenced their employment prior to February 1, 1985, Police and Middlesex-London Health Unit employees starting before January 1, 1982 and Fire employees starting before January 1, 1991 are entitled to be paid out their balance of accumulated sick time at retirement, which is the balance that makes up this liability.

Anticipated future payments for vested sick leave to employees who are eligible to retire are as follows:

Table 25: Employee Benefits Payable - Anticipated Future Payments

2019	$1,501
2020	205
2021	14
Total	**$1,720**

e) Pension Agreements

The Corporation makes contributions to the Ontario Municipal Employees' Retirement System Pension Fund (OMERS), which is a multi-employer plan, on behalf of 4,468 (2017 – 4,421) members. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by employees based on length of service and rates of pay. Employers and employees contribute jointly to the plan.

Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these consolidated financial statements.

The amount contributed to OMERS for 2018 was **$31,729** (2017 - $32,508) for current service. Employer's contributions for current service are included as an expense in the consolidated statement of operations.

13. Landfill Closure and Post Closure Liability

PSAB Handbook Section 3270: *Solid Waste Landfill Closure and Post-Closure Liability*, sets out the standard for anticipated closure and post-closure costs for existing and closed landfill sites. This liability is the estimated cost to date, based on a volumetric basis, of the expenses relating to those activities required when the site or phase stops accepting waste.

The Sanitary Closure costs include final cover and vegetation, completing facilities for drainage control features, leachate monitoring, water quality monitoring, and monitoring and recovery of gas. Post-closure care activities include all activities related to monitoring the site once it can no longer accept waste, including acquisition of any additional land for buffer zones, treatment and monitoring of leachate, monitoring ground water and surface water, gas monitoring and recovery, and ongoing maintenance of various control systems, drainage systems, and final cover.

The estimated liability for the care of landfill sites is the present value of future cash flows associated with closure and post-closure costs.

(all dollar amounts in thousands of dollars)

13. Landfill Closure and Post-Closure Liability (continued)

Key assumptions in determining the liability at December 31, 2018 for landfills are as follows:

Table 26: Landfill Closure Key Assumptions

Active (W12A) landfill is expected to reach capacity in 2026	
Remaining capacity of active (W12A) as at December 31, 2018	1.5 million tonnes
Expected closing cost in 2018 dollars	$1,800
Inflation rate	1.8%
Discount rate	3.25%
Estimated time required for post-closure care – active landfill	75 years
Estimated remaining time required for post-closure care – closed landfills	30-40 years

The liability as at December 31, 2018 is comprised of:

Table 27: Landfill Closure and Post-Closure Liability

	2018	2017
Active landfill (W12A) closure, site rehabilitation and monitoring obligation	**$29,734**	$27,364
Closed landfills site rehabilitation and monitoring obligation	**9,456**	9,328
	$39,190	$36,692

A reserve fund has been established to partially provide for this sanitary landfill site closure and post-closure liability. The reserve fund balance at December 31, 2018 is **$17,537** (2017 - $14,792).

The Corporation, with Council approval, has commenced an Individual Environmental Assessment (EA) for the expansion of the W12A landfill site. Work on the undertaking has progressed to the stage of submission of the proposed Amended Terms of Reference for approval by the Minister of the Environment, Conservation and Parks. Successful completion of this EA process will result in extension of the anticipated closure date and an increase in the remaining waste disposal capacity currently assumed in the determination of the liability.

The Corporation anticipates the project to be completed over the next few years and a Ministry decision be reached by 2021.

14. Tangible Capital Assets

Cost	Balance at December 31, 2017	Additions	Disposals	**Balance at December 31, 2018**
Land	$ 427,042	$ 16,211	$ 3,554	**$ 439,699**
Landfill and land improvements	150,923	12,815	5,815	**157,923**
Building and building improvements	1,007,185	73,030	2,514	**1,007,701**
Leasehold improvements	3,243	5,260	-	**8,503**
Machinery, equipment and furniture	402,155	47,634	10,495	**439,294**
Vehicles	127,299	14,717	8,525	**133,491**
Water Infrastructure	747,795	40,588	3,133	**785,250**
Wastewater infrastructure	1,395,524	59,808	1,628	**1,453,704**
Roads infrastructure	1,273,737	121,819	26,026	**1,369,530**
Computers	17,304	4,713	1,959	**20,058**
Computers under capital lease	4,148	-	1,219	**2,929**
Assets under construction	202,632	113,517	179,547	**136,602**
Total	$5,758,987	$510,112	$244,415	**$6,024,684**

Accumulated Amortization	Balance at December 31, 2017	Amortization Expense	Amortization Disposal	**Balance at December 31, 2018**
Land	$ -	$ -	$ -	**$ -**
Landfill and Improvements	78,544	7,948	5,196	**81,296**
Buildings and building improvements	453,680	31,491	2,837	**482,334**
Leasehold improvements	1,430	533	-	**1,963**
Machinery, equipment and furniture	237,501	28,891	10,492	**255,900**
Vehicles	68,072	10,705	8,429	**70,348**
Water infrastructure	241,490	16,125	2,821	**254,794**
Wastewater infrastructure	441,800	25,037	994	**465,843**
Roads infrastructure	476,279	45,644	23,370	**498,553**
Computers	8,229	5,324	1,959	**11,594**
Computers under capital lease	2,245	974	1,219	**2,000**
Assets under construction	-	-	-	**-**
Total	$2,009,270	$ 172,672	$ 57,317	**$2,124,625**

	Net book value December 31, 2017	**Net book value December 31, 2018**
Land	$ 427,042	**$ 439,699**
Landfill and land improvements	72,379	**76,627**
Buildings and building improvements	553,505	**595,367**
Leasehold improvements	1,813	**6,540**
Machinery, equipment and furniture	164,654	**183,394**
Vehicles	59,227	**63,143**
Water infrastructure	506,305	**530,456**
Wastewater infrastructure	953,724	**987,861**
Roads infrastructure	797,458	**870,977**
Computers	9,075	**8,464**
Computers under capital lease	1,903	**929**
Assets under construction	202,632	**136,602**
Total	$3,749,717	**$3,900,059**

14. Tangible Capital Assets (continued)

a) Assets under construction

Assets under construction having a value of **$136,602** (2017 - $202,632) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

In the year that an asset is placed into service, the total cost of the developed asset is transferred to each respective asset category as an addition and removed from assets under construction as a disposal.

b) Contributed Tangible Capital Assets

Contributed capital assets have been recognized at estimated fair value at the date of contribution. The value of contributed assets received during the year is **$73,284** (2017 - $36,759) comprised predominantly of roads infrastructure in the amount of **$33,896** (2017 - $10,912) and water and wastewater infrastructure in the amount of **$37,833** (2017 - $23,370)**.**

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

d) Works of Art and Historical Treasures

The Corporation manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Corporation sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized in the consolidated financial statements.

e) Write-down of Tangible Capital Assets

There were write-downs of tangible capital assets during the year in the amount of **$6,293** (2017 - $8,078).

14. Tangible Capital Assets (continued)

f) Assets under Shared Control

During 2016, the Corporation entered into a joint arrangement with the YMCA of Southwestern Ontario (YMCA) and the London Public Library Board (Library). The agreement to construct and operate a multipurpose complex, The Southwest Community Centre, with a total project budget of $55,366, includes a community centre, recreation centre and public library branch and features an indoor pool, double pad arena, gymnasium and community centre space in the southwest area of the City.

Each partner proposed to invest in the project as follows:

- The City proposed to provide $40,616 (75.13%) including land, plus $300 for furniture and equipment,
- The YMCA proposed to provide $9,200 (16.61%), plus $1,200 for furniture and equipment, and
- The Library proposed to provide $4,050 (8.26%).

The Library had a portion of the facility built and designed as a public library. The Library has exclusive use of its space. The City and Library will pay the YMCA a portion of the common area maintenance costs subject to the terms of the joint arrangement.

The YMCA has assumed all operational and lifecycle maintenance capital costs for the facility with the exception of the dedicated arena and library components through a lease agreement with a term of 40 years.

Title of the land and building remains with the Corporation. At the end of the term or any mutually agreed upon extension, the Corporation will agree to pay the YMCA and Library an amount equal to their respective partnership interest multiplied by the then fair market value of the partnership.

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets (continued)

f) Assets under Shared Control (continued)

Total project costs of **$53,207** have been offset by contributions from the YMCA of $9,200 and Library of $4,556. The net project costs of $39,451 have been accounted for in the Corporation and capitalized or expensed as follows:

Capitalized as:	
Land	**$ 5,155**
Building	**26,425**
Equipment	**7,663**
Expensed as:	
Contracted services	**208**
Total	**$39,451**

The YMCA and the Library have recorded additions of leasehold improvements in their respective accounting records equal to their contributions.

This new facility opened to the public in the fall of 2018.

(all dollar amounts in thousands of dollars)

15. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

Table 28: Accumulated Surplus

	2018	2017
Surplus:		
Invested in tangible capital assets	**$3,932,877**	$3,783,449
Other	**(75,927)**	(126,750)
Local boards	**2,496**	2,044
Equity in government business enterprise	**189,381**	180,977
Unfunded		
Landfill closure and post-closure liability and liability for contaminated sites	**(40,040)**	(37,542)
Employee benefits payable	**(161,807)**	(157,249)
Net long-term debt	**(291,308)**	(281,602)
Total surplus	**3,555,672**	3,363,327
Reserves set aside by Council		
Working capital	**-**	13,219
Contingencies	**65,268**	111,289
General operations	**32,779**	35,675
Total reserves	**98,047**	160,183
Reserve funds set aside for specific purpose by Council		
Contingencies	**80,394**	-
Infrastructure renewal	**196,624**	174,271
Acquisition of vehicles	**28,170**	26,302
Acquisition of facilities	**22,702**	18,271
Recreational programs & facilities	**317**	382
Self-insurance (Note 16b)	**14,158**	13,927
Sick leave (Note 12d)	**1,852**	2,546
Industrial over sizing	**15,745**	16,703
Other purposes	**228,262**	195,330
Special purpose (Note 18(g)(iii)	**74,804**	73,113
Total reserve funds	**663,028**	520,845
Accumulated surplus	**$4,316,747**	$4,044,355

15. Accumulated Surplus (continued)

The Corporation has chosen to reflect items on a gross rather than a net basis. As such the Corporation has reserve funds and reserves to satisfy certain obligations listed as unfunded in the preceding table, as more fully described in notes 12 and 13.

16. Contingent Liabilities

a) Legal Actions

As at December 31, 2018, certain legal actions and other contingent liabilities are pending against the Corporation. The final outcome of the outstanding claims cannot be determined at this time. However management believes that ultimate disposition of these matters will not materially exceed the amounts recorded in these consolidated financial statements.

Estimated costs to settle claims are based on available information and projections of estimated future expenses developed based on the Corporation's historical experience. Claims are reported as an operating expense in the year of the loss, where the costs are deemed to be likely and can be reasonably determined. Claims provisions are reported as a liability in the consolidated statement of financial position.

b) Public Liability and Property Loss Self Insurance

The Corporation and its various Boards and Commissions are jointly self-insured for liability, property and casualty claims for varying amounts ranging up to $500 for any individual claim.

Insurance is also purchased for claims in excess of these limits to a maximum of $50,000 for liability claims. The insured and self-insured Boards and Commissions are: Museum London, London Convention Centre Corporation, Covent Garden Market Corporation, London Police Services Board and London & Middlesex Community Housing Inc.

The Corporation has made a provision for a reserve fund for self-insurance which as at December 31, 2018 amounted to **$14,158** (2017 - $13,927) and is reported in Note 15 of the consolidated financial statements. The contribution for the year of **$4,990** (2017 - $4,703) has been reported in the individual revenues on the consolidated statement of operations.

16. Contingent Liabilities (continued)

b) Public Liability and Property Loss Self Insurance (continued)

Claims expensed during the year amounting to **$4,759** (2017 - $4,979) have been reported with individual expenses on the consolidated statement of operations. The payment of these expenses was funded through the self-insurance reserve fund.

There were unsettled liability claims against the Corporation as at December 31, 2018 to be paid from the self-insurance reserve fund. The probable outcome of these claims cannot be determined at this time.

17. Loan Guarantees

The Corporation has entered into an agreement which guarantees the borrowings of the Grand Theatre up to a maximum of **$750** (2017 - $750) in exchange for a mortgage on the land and building of the Grand Theatre.

The Corporation entered into agreements which, under certain conditions, guarantee a $7,000 loan from the VersaBank, formerly known as the Pacific & Western Bank of Canada, to the trustee of the City of London Arena Trust. The outstanding principal of this loan at December 31, 2018 is **$2,214** (2017 - $2,656).

The Corporation has entered into an agreement, which under certain conditions guarantees a $6,000 leasehold mortgage from the Bank of Montreal to the YMCA of Southwestern Ontario, related to the Stoney Creek Community Centre. The outstanding principal of this loan at December 31, 2018 is **$2,073** (2017 - $2,376).

The Corporation has entered into an agreement which, under certain conditions, guarantees to assume the purchase and payment of block power from the Ontario Electricity Market on behalf of the Lake Huron Primary Water Supply System (Market Participant). The Corporation, in its capacity as Administering Municipality for the Joint Water Board, has guaranteed payment to the Independent Electricity System Operator (IESO) on behalf of the Market Participant. This guarantee is limited to **$764**. There is no amount outstanding and no anticipated loss from this guarantee.

No amounts have been accrued in the consolidated financial statements of the Corporation with respect to these guarantees, as it is not anticipated at December 31, 2018 that the Corporation will need to make any payments as a result of providing the guarantees.

(all dollar amounts in thousands of dollars)

18. Commitments

a) London Middlesex Suburban Roads Commission

Section 474.18 of the *Municipal Act, 2001*, requires that the Corporation make annual payments to the County of Middlesex for an indefinite period as compensation for the reduction of income due to the dissolution of the London-Middlesex Suburban Roads Commission. The amount paid in 2018 was **$1,138** (2017 - $1,139). Payments are based on the base year of 1997 at $1,000 and are calculated contingent on annual assessment and tax rate increases.

b) Rehabilitation and Redevelopment Tax Grant Programs

The Corporation has future commitments on the various Rehabilitation and Redevelopment Programs, which are programs that allow for future reductions in property taxes. The future commitments are as follows:

Table 29: Future Tax Grant Program Commitments

2019	$ 797
2020	1,120
2021	1,020
2022	824
2023	645
Beyond	1,207
Total	**$5,613**

c) Fleet, Equipment and Premises Commitments

The Corporation is committed to the following fleet and equipment purchases and minimum annual operating lease payments for premises and equipment as follows:

Table 30: Fleet, Equipment and Premises Commitments

2019	$ 60,079
2020	5,318
2021	4,811
2022	2,872
2023	2,216
Beyond	15,150
Total	**$ 90,446**

(all dollar amounts in thousands of dollars)

18. Commitments (continued)

d) Facilities and Infrastructure Commitments

The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2018:

Table 31: Facilities and infrastructure Commitments

	2018	2017
Roads	**$48,427**	$47,230
Sanitary Sewer	**23,886**	31,517
Water	**18,814**	18,155
Recreation Facilities	**16,306**	17,085
Storm sewer	**9,718**	17,549
General Government	**6,212**	5,347
Waste Disposal and Recycling	**2,053**	1,141
Fire, Provincial Offences and Emergency Measures	**1,594**	808
Parks	**1,562**	3,240
Commercial and Industrial	**978**	1,457
Cultural Facilities	**776**	584
Social Housing	**79**	-
Library Facilities	**-**	319
	$130,405	$144,432

These amounts represent uncompleted portions of contracts, as at December 31, 2018, on major projects. The majority of payments on these outstanding commitments will be made in the next three (3) to five (5) years.

e) Affordable Housing Programs

The Corporation is responsible for the delivery and administration of affordable housing programs in the City of London and the County of Middlesex. The Corporation has entered into various Municipal Contribution Agreements related to Affordable Housing Programs.

As at December 31, 2018, the Corporation has outstanding commitments remaining on these agreements of **$21,944** (2017 - $17,395).

18. Commitments (continued)

f) Derivatives

The Corporation has the following derivative contracts as at December 31, 2018:

- Contract, expiring October 31, 2019, for average daily natural gas purchases of 210 gigajoules, with a remaining contract value of **$272** (2017 - $598).

This derivative contract was purchased to provide price certainty and represents approximately 44% of the Corporation's natural gas needs for 2019. The value of this contract is not reflected as an asset or liability in these consolidated financial statements.

- Contract with one block, negotiated May 5, 2017, with a daily electricity purchase of 24 megawatt hours, covering the period of November 1, 2018 to August 31, 2021, with a remaining contract cost of **$690** (2017 - $220 under contract expired October 31, 2018).

This derivative contract was purchased to provide price certainty for 26% of the Lake Huron Area Primary Water Supply System's electricity needs over the term of the contract. The value of the contract is not reflected as an asset or liability in these consolidated financial statements.

g) Public Utility Commission Dissolution

i) Reporting entity history

Pursuant to the *Electricity Act, 1998* (Ontario), the various undertakings and activities of The Hydro-Electric Commission of the City of London were segregated and a substantial portion transferred on November 1, 2000 to separate companies incorporated under the *Business Corporations Act* (Ontario) with the Corporation as the sole shareholder. The name of the Commission was changed to The Public Utility Commission of the City of London (the Commission) effective November 1, 2000, and the Commission has been at all material times and continues to be one and the same corporate and legal entity with the status of a municipal service board under subsection 195(1) of the *Municipal Act, 2001*. The composition of the Commission had previously been in accordance with section 22 of the London-Middlesex Act 1992, was re-established effective December 9, 2003 pursuant to subsection 195(9) of the *Municipal Act, 2001*. Members of the Commission are such persons who had been appointed by the Municipal Council of the Corporation of the City of London.

Certain property containing historic coal tar deposits was excluded from the transfer on November 1, 2000 and had been retained since then by the Commission.

18. Commitments (continued)

g) Public Utility Commission Dissolution (continued)

i) Reporting entity history (continued)

The Corporation, the sole shareholder of the Commission, resolved, at its Municipal Council meeting on October 16, 2018, to dissolve the Public Utility Commission of the City of London, effective on that date. The by-law enacts that the assets and liabilities of the Commission become those of the Corporation, without compensation.

The tangible capital assets have been disposed of in the Commission and have been transferred to the Corporation at their net book value. The remaining net financial assets have been transferred to the Corporation at cost.

ii) Contingent liability

The Commission was liable for the environmental remediation of the land. The coal tar material present in land held by the Commission was attributable to coal gasification works existing at this location between approximately 1850 and 1930 and identified in a 1987 inventory of coal gasification sites in Ontario by the provincial Ministry of the Environment (MOE).

The Commission was engaged in an ongoing environmental remediation program and related risk management strategy that addresses the presence of historic coal tar in a section of the bed and bank of the south branch of the Thames River and in two adjacent parcels of Commission-owned land. In this context:

- A collection system was completed in November 2000 to intercept coal tar-impacted ground water for treatment by an on-site facility which is situated on the smaller parcel.
- A hard-surfaced parking lot was constructed on the larger of the two parcels and is being operated as a municipal parking lot.
- Coal tar removal and river bed rehabilitation has been satisfactorily completed and a monitoring program which started in 2004 is in place.

With the dissolution of the Commission, the Corporation will assume responsibility for the ongoing environmental remediation program and management strategy.

Future costs for the remediation include operations of the coal tar treatment system, which will carry an ongoing monthly cost for an indeterminate time.

18. Commitments (continued)

g) Public Utility Commission Dissolution (continued)

iii) Promissory note

A promissory note from London Hydro Inc. to the Corporation was assigned to the Commission subject to several conditions. On November 28, 2014, the promissory note was extinguished through payment by London Hydro to the Corporation.

As part of the transaction, the Corporation and the Commission entered into a Funding Agreement. The agreement ensures that the $70 million principal will be held by the Corporation on terms consistent with the earlier pledge of undertaking/assignment of the promissory note from the Corporation to the Commission.

The reserve fund is held by the Corporation for the following purposes:

(i) The investigation, remediation and restoration of the affected lands,
(ii) Any related legal proceedings, including proceedings before any court or administrative tribunal, and
(iii) The Commission’s actual and reasonable administrative and incidentals costs related thereto.

The Corporation will maintain the principal amount of the $70 million in a properly managed portfolio in compliance with the Corporation’s Investment Policy and the *Municipal Act, 2001*. The Corporation will be entitled to use the interest on the funds for its own purposes.

iv) Related party transactions

As a result of the dissolution of the Commission, financial and non-financial assets were transferred to the Corporation as follows:

Tangible capital assets, transferred at net book value	$	3,050,338
Net financial assets, transferred at cost		2,185,889
	$	5,236,227

(all dollar amounts in thousands of dollars)

19. Provincial Offences Court Administration and Prosecution

On March 26, 2001, pursuant to Bill 108, the Corporation assumed responsibility for Provincial Offences Court Administration and Prosecution. The Province of Ontario transferred the responsibility for the administration and prosecution of provincial offences in London-Middlesex to the Corporation. This transfer was part of the Province's strategy to realign provincial and municipal roles in the delivery of public services. As a result, the Corporation was required to establish its own administration, prosecution office and courtrooms to deal with charges laid under the *Provincial Offences Act*.

Table 32: Charges Laid Under the Provincial Offences Act

	2018	2017
Revenues		
Fines	**$6,152**	$5,514
Transfer payments - provincial	**4**	12
Total revenues	**6,156**	5,526
Expenses		
Salary, wages and benefits	**1,620**	1,627
County share of net revenues	**376**	294
Occupancy costs	**321**	322
Provincial government cost recovery	**490**	468
Administration costs	**1,242**	1,127
Equipment and maintenance	**236**	182
Total expenses	**4,284**	4,020
Excess of revenues over expenses	**$1,872**	$1,506

These results comprise part of the other revenue and protection to persons and property expenses that are included in the consolidated statement operations.

20. Budget Data

Budget data presented in these consolidated financial statements is based upon the 2018 operating budget approved by Council. Adjustments were required to convert the budget from a cash basis to a full accrual basis. These adjustments include revenues and expenses which were budgeted in the capital budget, contributed assets recognized as revenues and amortization expense as well as Board and Commissions budget figures. The adjustments have been reduced for capital assets budgeted in operations. Given that certain budget information is not available in full accrual format, the assumption of using budget adjustments that equal the actual full accrual adjustments was used. These full accrual budget estimates are for financial statement presentation only.

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

The chart below reconciles the approved budget with the budget figures as presented in these consolidated financial statements.

Table 33: Approved Budget per Consolidated Financial Statements

	Total	Tax	Water	Wastewater
Net Budget PSAB Surplus	**$158,545**	**$89,313**	**$30,386**	**$38,846**
Public Sector Accounting Board (PSAB) Reporting Requirements: Addback (deduct) from Net Budget PSAB Surplus:				
Transfers:				
Transfers to Capital	**(82,965)**	(44,767)	(20,090)	(18,108)
Transfers from Reserves and Reserve Funds	**8,258**	8,258	-	-
Transfers to Reserves and Reserve Funds	**(95,052)**	(58,133)	(11,311)	(25,608)
	(169,759)	**(94,642)**	**(31,401)**	**(43,716)**
Budget Adjustments:				
Government Grants and Subsidies	**22,840**	22,840	-	-
Expenses related to Government Grants and Subsidies	**(23,300)**	(21,388)	(507)	(1,405)
Transfers to Capital	**(1,504)**	(1,504)	-	-
Transfers from Reserves and Reserve Funds	**501**	501	-	-
Transfers to Reserves and Reserve Funds	**(1,463)**	(449)	507	1,405

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

Table 32: Approved Budget per Consolidated Financial Statements (continued)

	Total	Tax	Water	Wastewater
Debt Principal Repayments:	**(41,210)**	**(31,455)**	**(349)**	**(9,406)**
PSAB Adjustments:				
Capital program funding earned in year	**(21,364)**	(14,355)	(1,845)	(5,164)
Capital projects not resulting in capital assets	**24,479**	15,057	3,088	6,334
Amortization	**133,983**	76,014	14,390	43,579
Developer contributions - assumed capital assets	**(44,040)**	(14,496)	(5,824)	(23,720)
Loss on disposal of capital assets	**2,756**	761	821	1,174
Obligatory reserve fund deferred revenue earned	**(23,337)**	(14,474)	(680)	(8,183)
Government Business Enterprises adjustments	**(5,362)**	(5,362)	-	-
Landfill liability	**1,540**	1,540	-	-
Employee future benefits liability	**6,529**	6,137	136	256
	75,184	**50,822**	**10,086**	**14,276**
Boards and Commissions Budget PSAB Surplus	**(22,760)**	**(14,038)**	**(8,722)**	**-**
Net Surplus per 2018 Approved Budget	**$ -**	**$ -**	**$ -**	**$ -**

(all dollar amounts in thousands of dollars)

20. Budget Data (continued)

Table 32: Approved Budget per Consolidated Financial Statements (continued)

	Total	Tax	Water	Wastewater
Net Surplus per 2018 Approved Budget – Comprised of:				
Revenues:				
Property Tax	**$579,532**	$579,532	$ -	$ -
Government Grants and Subsidies	**217,609**	217,568	-	41
User Fees	**219,422**	46,583	77,778	95,061
Municipal Revenues – Other	**69,220**	68,753	154	313
Municipal Revenues – Transfers from Reserves and Reserve Funds	**7,757**	7,757	-	-
Total Revenues	**1,093,540**	**920,193**	**77,932**	**95,415**
Expenses:				
Personnel Costs	**366,589**	342,364	9,057	15,168
Administrative Expenses	**12,367**	6,332	2,435	3,600
Financial Expenses – Other	**10,711**	10,638	73	-
Financial Expenses – Interest and Discount on long-term debt	**7,724**	5,717	58	1,949
Financial Expenses – Debt Principal Repayments	**41,210**	31,455	349	9,406
Financial Expenses – Transfers to Reserves and Reserve Funds	**96,515**	57,684	11,818	27,013
Financial Expenses – Transfers to Capital	**81,461**	43,263	20,090	18,108
Purchased Services	**188,985**	182,357	3,139	3,489
Materials and Supplies	**73,767**	36,025	26,335	11,407
Furniture and Equipment	**29,608**	24,316	1,943	3,349
Transfers	**200,372**	200,372	-	-
Other Expenses	**8,237**	608	2,762	4,867
Recovered Expenses	**(24,006)**	(20,938)	(127)	(2,941)
Total Expenses	**1,093,540**	920,193	77,932	95,415
Net Surplus per 2018 Approved Budget	**$ -**	**$ -**	**$ -**	**$ -**

(all dollar amounts in thousands of dollars)

21. Revenues

In the consolidated statement of operations, revenues are grouped by classification for financial presentation purposes. The following is a more detailed breakdown of some of the Corporation's revenue classifications:

Table 34: Revenue Classifications

	2018	2017
Net municipal taxation and user charges		
Net municipal taxation	**$595,322**	$572,396
Payments-in-lieu-of-taxes	**9,390**	9,085
	604,712	581,481
User charges	**286,353**	275,948
	$891,065	$857,429
Transfer payments		
Operating	**$ 5,734**	$ 8,003
Capital infrastructure	**50,282**	22,962
Government of Canada - total	**56,016**	30,965
Conditional – operating	**262,002**	238,907
Capital infrastructure	**7,674**	6,418
Province of Ontario - total	**269,676**	245,325
Other municipalities	**5,644**	5,317
	$331,336	$281,607
Investment income		
Investment income - operating	**$6,834**	$ 3,659
Investment income - reserves and reserve funds	**11,794**	8,508
	$ 18,628	$ 12,167
Other revenues		
Provincial Offences Fines	**$ 6,152**	$ 5,514
Ontario Lottery & Gaming Corporation	**4,870**	4,811
Municipal accommodation tax	**851**	-
Other contributions - operating	**13,588**	6,275
Other contributions - capital	**9,664**	2,882
Donations	**1,311**	1,387
Miscellaneous sales	**572**	6,542
	$ 37,007	$ 27,411

(all dollar amounts in thousands of dollars)

22. Expenses by Object

The consolidated statement of operations represents the Corporation's expenses by function. The following classifies those same expenses by object.

Table 35: Expenses by Object

	2018	2017
Salaries, wages and fringe benefits	**$ 438,907**	$424,156
Long-term debt interest charges	**9,605**	9,698
Materials and supplies	**131,360**	118,217
Contracted services	**140,000**	126,219
Rents and financial expenses	**36,205**	38,543
External transfers	**221,654**	204,208
Amortization	**172,672**	162,828
Total expenses by object	**$1,150,403**	$1,083,869

23. Liability for Contaminated Sites

Under Public Sector Accounting Board Standard PS 3260 *Liability for Contaminated Sites,* the Corporation has identified one site that had contamination and was not in productive use, as follows:

Reports indicate that remediation will be required and has been estimated at $850 (2017 – $1,239). This amount has been recorded as a liability at year end and has been included in accrued liabilities in the consolidated statement of financial position.

24. Segmented Information

The Corporation is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, roadways, public transit, water, wastewater, solid waste and recycling, social and community services. For management reporting purposes the Corporation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The Operating Fund reports on municipal services that are funded primarily by property taxation. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund Services based on the Fund's net surplus. User charges, Government transfers, transfer from other funds and other revenues have been taken from the allocations on schedule 12 of the Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1. The segmented information reports total revenues and expenses by segment.

The Corporation's services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

a) Protection

Protection is comprised predominantly of the Police Services and Fire departments. The mandate of the Police Services department is to ensure the safety and security of the lives and property of citizens through law enforcement, victims' assistance, public order maintenance, crime prevention and emergency response. The Fire department is responsible for providing proactive fire and injury prevention education programs, comprehensive inspection programs and fire code enforcement. In addition, the department responds to emergency calls for assistance related to fires, rescues, motor vehicle accidents and cardiac medical events as well as calls related to hazardous material incidents, swift water and ice rescue and limited types of technical rescue calls.

24. Segmented Information (continued)

b) Transportation Services

Transportation Services are comprised of year-round road maintenance, parking, traffic signals and street lighting. Activities include the maintenance of roadsides defined as sidewalks, walkways, boulevards and the urban forest. This service is responsible for the operational integrity of the roadway system through year-round surface maintenance and winter maintenance, including snow and ice control. Parking supports the controlled movement of vehicles to benefit London businesses and residents through policy and operational efforts. Traffic signal services provide the planning, design, operation and maintenance of the Corporation's street lights and traffic signal network including a computerized traffic signal control system.

The London Transit Commission serves as an agent for the Corporation responsible for the delivery of public transit services for the residents of the City of London as provided under the City of London Act.

Public transit services include conventional and specialized transit services. Service design, development and delivery for the respective services take their direction from the Corporation's Official Plan, Transportation Plan and London Transit's Long Term Growth Strategy, Ridership Growth Plan, Business Plan and Accessibility Plan.

c) Environmental Services

i) Water and Wastewater Utilities

The Water Utility provides the planning, engineering, operation and maintenance for the Corporation's water infrastructure. Wholesale potable water is purchased from both the Lake Huron and the Elgin Area Primary Water Supply Systems. Services include the planning and engineering to support the delivery of safe, clean, high quality drinking water of sufficient flow and pressure to enhance the quality of life and support economic development for the residents and businesses of London. Operation and maintenance services ensure the reliable delivery of water to all customers and sustainability of a high quality water infrastructure.

The Wastewater Utility provides the planning, engineering, operation and maintenance for the Corporation's wastewater and drainage infrastructure. Services include the operation of pollution control plants and sewage pumping stations for the treatment of sanitary sewage, year-round maintenance of sanitary and storm sewer systems and planning and implementation of capital works to provide new services and improve existing systems. All services are delivered in an environmentally and fiscally responsible manner while maintaining sustainability of the infrastructure.

24. Segmented Information (continued)

c) Environmental Services (continued)

ii) Solid Waste and Recycling

Solid Waste and Recycling provides solid waste collection services managing the safe and permanent disposal of non-hazardous wastes collected in an environmentally safe process including the management and operation of a landfill site. It also provides a variety of services and projects relating to the Management of Solid Waste for its customers and the citizens and businesses of London. Such services include daily recyclable and waste drop-off, on-site composting, residential/industrial/commercial and city facilities recycling.

d) Health Services

The Middlesex-London Health Unit provides a wide range of public health services in London and Middlesex County. The programs and services are designed to help citizens live a healthy life, free from disease and injury through health promotion and prevention activities. The Health Unit also monitors the air, food and water supply in the community to make sure it is safe and provides services to individuals and communities and advocates for public policies that make the City of London healthier.

Ambulance Services provide medical emergency medical services to the City of London and Middlesex County.

e) Social and Family Services

As the Consolidated Municipal Service Manager, the Community Services Department is legislated to deliver the Province’s Ontario Works program to qualified residents within the City of London; homelessness funding to local emergency shelters and administers the distribution of child care fee subsidies to families in need and wage subsidies to local child care agencies.

The Department also delivers Council-directed social services, including the London CARES initiative and the Child and Youth Agenda in partnership with community agencies and groups. The Department operates the Dearness Home long term care facility; an Adult Day Program and Home Help Services.

24. Segmented Information (continued)

f) Social Housing

The Housing Division is responsible for establishing and maintaining a system for administering mortgage and rent subsidies for social housing providers; receiving and evaluating financial reports of housing providers; assessing extraordinary financial requests from housing providers; responding to requests for technical support from housing providers and reviewing housing providers operations to ensure compliance with the Housing Services Act and any rules allocated by the Service Manager. The Division also fulfills the application intake function for social housing providers (the Housing Access Centre) and delivers federal, provincial and municipal affordable housing programs.

g) Parks and Recreation

The Department works collaboratively with their colleagues and partners to improve the quality of life for all Londoners by creating opportunities for individuals to lead healthy, socially-active lives through the direct delivery of recreation programs; strengthening neighbourhoods; leading the integration of community wide initiatives; managing and operating parks and recreation facilities such as Storybook Gardens, municipal golf courses; providing aquatic opportunities; and supporting local sport and special event initiatives.

h) Cultural Services

The Culture Office provides the infrastructure necessary to place a greater focus on culture by acting as the central access point for the cultural functions and responsibilities of the City of London. The Culture Office promotes collaboration, communication and the sharing of knowledge and resources for the purpose of generating economic prosperity through cultural vitality.

24. Segmented Information (continued)

i) Planning, Development and Compliance

a) Planning Services

Planning Services provides a wide range of planning and associated services to guide long-term land use and development activity in the City. The Division is organized under four sections – Policy Planning and Programs, Environmental and Parks Planning, Community Planning and Design and Urban Forestry. The Division employs professional resources consisting of Planners, Parks Planning Co-ordinators, Landscape Architects, a Community Projects Co-ordinator, Urban Designers, Ecologists, a Research Analyst and a Heritage Planner as well as support technical and support staff. A wide range of services are provided by the Division including Official Plan and Zoning By-law approvals, policy development, secondary plans, Community Improvement Plans, economic revitalization programs, brownfield revitalization incentives, heritage preservation incentives, urban design, environmental and ecological evaluations, parks planning, urban forestry, commemorative programs and heritage planning.

b) Development Services

Development Services is a multi-disciplinary team providing a single point of administration for development approvals under the Planning Act. The Division includes Planners, Engineers, Landscape Planners, Site Plan Officers, Inspectors, a Subdivision Co-ordinator, Integrated Land Planning Technologists and technical support staff that function as geographic teams (east and west) to provide an integrated processing framework to provide quality development approvals in a timely manner. Planning Act applications processed by Development Services include Plans of subdivision including associated Official Plan and Zoning By-law amendments, site plan approvals, condominium approvals and consents. The Division also administers subdivision and development agreement servicing standards and compliance through inspection, assumption and security management.

c) Building Services

Building Services, by administering the provisions of the Ontario Building Act and the Building Code, ensures high quality building construction in addition to keeping paramount the health and safety of the citizens of London. These directives are established through the enforcement of various municipal By-laws such as the Property Standards By-law, the Sign and Canopy By-law and the Pool Fence By-law to name a few.

24. Segmented Information (continued)

i) Planning, Development and Compliance (continued)

d) Licensing and Municipal Law Enforcement Services

The Licensing and Municipal Law Enforcement Services area is divided into three interrelated areas. The Community By-laws section is responsible for seeking compliance with community based City by-laws which focus on health and safety, consumer protection, nuisance control and quality of life issues. The Licensing and Parking Enforcement areas are responsible for addressing compliance issues with business licensing by-laws and parking infractions. This section also manages a number of parking lots providing parking services to citizens and visitors alike. The Animal Care and Control service area is responsible for administration, planning, co-ordination and direction of animal care and control in an effort to ensure that policies, practices, directives, by-laws and regulations are in place and adhered to for the protection of the public and the welfare of domestic animals in the community.

25. Comparative Figures

Certain comparative figures have been reclassified to conform to the 2018 financial statement presentation.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Revenues
For the year ended December 31, 2018, with 2017 comparatives (in thousands of dollars)

	REVENUES						
	Taxation	**User Charges**	**Government Transfers**	**Developer Contributions**	**Other**	**TOTAL 2018 Actuals**	**TOTAL 2017 Actuals**
General Government	604,712	3,690	2,031	42	58,856	669,331	625,269
Fire		229	-	-	-	229	1,307
Police		1,499	6,094	-	1,415	9,008	8,995
Other Protection Services		10,905	4	-	6,159	17,068	16,548
Total Protection Services	-	12,633	6,098	-	7,574	26,305	26,850
Transit		32,128	22,162	-	325	54,615	54,697
Other Transportation Services		4,532	25,844	33,895	33,419	97,690	31,378
Total Transportation Services	-	36,660	48,006	33,895	33,744	152,305	86,075
Water/Waste Water		173,895	25,882	37,833	17,906	255,516	215,364
Solid Waste		10,672	763	-	-	11,435	9,781
Total Environmental Services	-	184,567	26,645	37,833	17,906	266,951	225,145
Public Health Services		-	4,849	-	150	4,999	4,681
Ambulance Services		-	-	-	-	-	-
Total Health Services	-	-	4,849	-	150	4,999	4,681
General Assistance		279	148,638	-	296	149,213	145,663
Assistance to aged persons		6,188	12,634	-	-	18,822	18,260
Child Care		-	54,914	-	-	54,914	36,920
Total Social and Family Services	-	6,467	216,186	-	296	222,949	200,843
Social Housing	-	10,981	21,964	-	132	33,077	33,927
Parks and Recreation		18,155	3,592	1,514	3,335	26,596	24,111
Libraries		526	697	-	871	2,094	3,388
Cultural Services		2,733	912	-	1,663	5,308	5,622
Total Recreation and Cultural Services	-	21,414	5,201	1,514	5,869	33,998	33,121
Planning, Development and Compliance	-	9,940	355	-	2,583	12,878	14,317
Total Revenue	604,712	286,353	331,336	73,284	127,110	1,422,795	1,250,228

THE CORPORATION OF THE CITY OF LONDON
Consolidated Schedule of Segment Disclosure - Operating Expenses
For the year ended December 31, 2018, with 2017 comparatives (in thousands of dollars)

	EXPENSES							
	Salaries, Wages & Benefits	**Materials**	**Contracted Services**	**External Transfers**	**Amortization**	**Other**	**TOTAL 2018 Actuals**	**TOTAL 2017 Actuals**
General Government	50,987	13,737	11,332	234	11,343	10,106	97,739	93,311
Fire	57,416	2,160	509	-	3,295	(259)	63,121	65,196
Police	98,199	6,117	1,562	-	5,076	423	111,377	109,484
Other Protection Services	15,111	3,559	1,814	4,512	283	855	26,134	24,770
Total Protection Services	170,726	11,836	3,885	4,512	8,654	1,019	200,632	199,450
Transit	50,346	19,769	7,232	-	12,765	690	90,802	83,627
Other Transportation Services	22,479	22,091	19,878	3	46,438	10,852	121,741	101,678
Total Transportation Services	72,825	41,860	27,110	3	59,203	11,542	212,543	185,305
Water/Waste Water	25,433	30,803	15,169	67	69,267	11,498	152,237	148,474
Solid Waste	8,724	7,128	13,087	1,158	2,425	1,499	34,021	33,088
Total Environmental Services	34,157	37,931	28,256	1,225	71,692	12,997	186,258	181,562
Public Health Services	4,411	419	766	4,863	105	281	10,845	10,625
Ambulance Services	-	-	14,736	-	-	-	14,736	14,412
Total Health Services	4,411	419	15,502	4,863	105	281	25,581	25,037
General Assistance	21,203	576	6,490	135,474	458	2,875	167,076	164,572
Assistance to aged persons	19,453	3,031	824	215	1,292	767	25,582	25,195
Child Care	2,474	808	24,455	34,276	3	167	62,183	44,769
Total Social and Family Services	43,130	4,415	31,769	169,965	1,753	3,809	254,841	234,536
Social Housing	6,999	1,146	12,469	31,018	1,726	804	54,162	50,465
Parks and Recreation	24,957	7,743	5,840	520	11,255	2,841	53,156	48,675
Libraries	14,664	4,272	663	-	3,502	943	24,044	23,780
Cultural Services	2,450	2,379	508	1,588	1,313	115	8,353	9,284
Total Recreation and Cultural Services	42,071	14,394	7,011	2,108	16,070	3,899	85,553	81,739
Planning, Development and Compliance	13,601	5,622	2,666	7,726	2,125	1,353	33,093	32,464
Total Expenses	438,907	131,360	140,000	221,654	172,671	45,810	1,150,403	1,083,869
Annual Surplus							272,392	166,359

Consolidated Financial Statements of

THE TRUST FUNDS OF THE CITY OF LONDON

And Independent Auditors' Report thereon

Year ended December 31, 2018

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To the Commissioners, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

Qualified Opinion

We have audited the consolidated financial statements of The Trust Funds of the City of London (the “Entity”), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of earnings and fund equity for the year then ended
- and notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the “***Basis for Qualified Opinion”***, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018, and its consolidated results of operations and changes in fund equity for the year then ended in accordance with Canadian public sector accounting standards

Basis for Qualified Opinion

In common with many charitable organizations, the Entity derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- assets reported in the statement of financial position as at December 31, 2018 and December 31, 2017
- capital receipts and fund equity reported in the statement of earnings and fund equity for the years ended December 31, 2018 and December 31, 2017

Our opinion on the financial statements for the year ended December 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 3, 2019

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

		2018 Total		2017 Total
Assets:				
Cash and short-term deposits (Schedule 1)	**$**	**2,022,832**	$	1,477,575
Accounts receivable (Schedule 1)		**35,243**		62,045
Investments (Schedule 1, note 2)		**2,800,000**		2,800,000
Prepaid expenses (Schedule1)		**204**		5,149
	$	**4,858,279**	$	4,344,769
Liability and Fund Equity:				
Accounts payable (Schedule 1)	**$**	**557,425**	$	971
Fund equity (Schedule 1)		**4,300,854**		4,343,798
	$	**4,858,279**	$	4,344,769

The accompanying notes are an integral part of these financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Consolidated Statement of Earnings and Fund Equity

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Fund equity, beginning of year	**$**	**4,343,798**	$	4,300,369
Revenue:				
Capital receipts (Schedule 2)		**834,958**		897,298
Interest (Schedule 2)		**78,079**		47,037
		913,037		944,335
Expenditures:				
Maintenance payments, Dearness Home (Schedule 2)		**86,049**		100,647
Disbursements (Schedule 2)		**869,932**		958,484
		955,981		1,059,131
Fund equity, end of year before adjustment		**4,300,854**		4,185,573
Transfer of funds (note 3)		**-**		158,225
Fund equity, end of year	**$**	**4,300,854**	$	4,343,798

Note: No statement of cash flows has been provided as it is not considered to provide additional useful information to the users of the financial statements.

The accompanying notes are an integral part of these financial statements.

1. Significant accounting policies:

The consolidated financial statements of the Trust Funds of the City of London have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the CPA Canada Public Sector Accounting Handbook, including the 4200 standards for government not-for-profit organizations. The significant accounting policies are summarized below:

a) Basis of consolidation:

The assets, liabilities, revenues and expenditures of the trust funds of the London Public Library Board are consolidated in these financial statements.

b) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of legal obligation to pay.

c) Contributions:

Contributions received with direction by the donor that the capital of the gift is to be held for a period of not less than ten years are included in the capital portion of each Fund.

Contributions received for library use and investment income are included in the income portion of each Fund.

d) Adoption of new accounting policies:

(i) Related Party Disclosures:

The Funds adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Funds adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

1. Significant accounting policies (continued):

d) Adoption of new accounting policies (continued):

(ii) Inter-entity Transactions:

The Funds adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice all other transactions are measured at the carrying amount. The Funds adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

All other transactions are measured at the carrying amount.

The Funds adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Investments:

Investments are recorded at cost less any amounts written off to reflect a permanent decline in value. Investments consist of term deposits with short-term maturities and interest rates ranging from 1.15% to 1.65%.

3. Transfer of funds:

The Amelia Lucy Ronald Little Trust Fund represents restricted funds to be used for improvement, redecoration, refurbishing, restoration and enhancement of Eldon House and the artifacts contained therein. The balance in this fund on December 31, 2018 was $163,305. During fiscal 2017, the responsibility for administration of the fund was transferred from Museum London to the Corporation of the City of London.

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 1 - Detailed Consolidated Statement of Financial Position
Year ended December 31, 2018

	Sundry Trusts	E.P. Williams Estate	Bostwick Cemetery	London Public Library	Park Farms	Dearness Residents' Trust	Woodhull Perpetual Maintenance	Woodhull Stone Monument	Amelia Lucy Ronalds Little Trust	**2018**
Assets:										
Cash and short-term deposits	$ 146,463	$ 164,209	$ 13,283	$ 1,026,935	$ 140,363	$ 107,010	$ 240,477	$ 20,787	$ 163,305	**$ 2,022,832**
Accounts receivable	3,561	-	-	31,682	-	-	-	-	-	**35,243**
Investments	-	-	-	2,800,000	-	-	-	-	-	**2,800,000**
Prepaid expenses	-	-	-	204	-	-	-	-	-	**204**
	$ 150,024	$ 164,209	$ 13,283	$ 3,858,821	$ 140,363	$ 107,010	$ 240,477	$ 20,787	$ 163,305	**$ 4,858,279**
Liability and Fund Equity:										
Accounts payable	$ -	$ -	$ -	$ 557,303	$ -	$ 122	$ -	$ -	$ -	**$ 557,425**
Fund equity	150,024	164,209	13,283	3,301,518	140,363	106,888	240,477	20,787	163,305	**4,300,854**
	$ 150,024	$ 164,209	$ 13,283	$ 3,858,821	$ 140,363	$ 107,010	$ 240,477	$ 20,787	$ 163,305	**$ 4,858,279**

The accompanying notes are an integral part of these financial statements.

THE TRUST FUNDS OF THE CITY OF LONDON

Schedule 2 - Detailed Consolidated Statement of Earnings and Fund Equity
Year ended December 31, 2018

	Sundry Trusts	E.P. Williams Estate	Bostwick Cemetery	London Public Library	Park Farms	Dearness Residents' Trust	Woodhull Perpetual Maintenance	Woodhull Stone Monument	Amelia Lucy Ronalds Little Trust	**2018**
Fund equity, beginning of year	$ 146,985	$ 160,884	$ 13,012	$ 3,379,747	$ 137,521	$ 95,689	$ 230,736	$ 19,226	$ 159,998	**$ 4,343,798**
Receipts:										
Capital receipts	-	-	-	634,750	-	194,157	4,901	1,150	-	**834,958**
Interest	3,038	3,325	269	60,047	2,842	-	4,840	411	3,307	**78,079**
	3,038	3,325	269	694,797	2,842	194,157	9,741	1,561	3,307	**913,037**
Expenditures:										
Maintenance payments, Dearness Home	-	-	-	-	-	86,049	-	-	-	**86,049**
Disbursements	-	-	-	773,026	-	96,906	-	-	-	**869,932**
	-	-	-	773,026	-	182,955	-	-	-	**955,981**
Fund equity, end of year	$ 150,023	$ 164,209	$ 13,281	$ 3,301,518	$ 140,363	$ 106,891	$ 240,477	$ 20,787	$ 163,305	**$ 4,300,854**

The accompanying notes are an integral part of these financial statements.

Financial Statements of

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Year ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Argyle Business Improvement Association Board of Management

Opinion

We have audited the financial statements of Argyle Business Improvement Association Board of Management (the Entity), which comprise:

- the statement of financial position as at December 31, 2018,
- the statement of operations for the year then ended,
- the statement of changes net assets for the year then ended,
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

London, Canada

[Date**]**

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash and cash equivalents (note 3)	$ 50,002	$ 40,761
Other receivables	9,749	4,990
Total financial assets	59,751	45,751
Financial liabilities		
Accounts payable and accrued liabilities	15,608	13,137
Due to related parties (note 6)	-	13,324
Total financial liabilities	15,608	26,461
Net financial assets	44,143	19,290
Non-financial assets		
Tangible capital assets (note 4)	16,795	3,081
Inventory	1,441	1,440
Total non-financial assets	18,236	4,521
Accumulated surplus (note 5)	$ 62,379	$ 23,811

The accompanying notes are an integral part of these financial statements.

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT
Statement of Operations
For the year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Revenues			
Municipal levy - The Corporation of the City of London	$ 186,720	$ 186,720	$ 131,171
Federal grants	100	10,004	9,993
Santa clause parade sponsorship	19,100	2,100	2,850
Other	4,000	20,741	132
Total revenues	209,920	219,565	144,146
Expenses			
Salaries, wages and benefits	74,000	93,280	72,363
Community initiatives	45,000	24,740	17,306
Office rent	17,500	15,120	9,769
Office supplies	5,620	11,466	6,363
Planters/hanging baskets	16,000	11,458	10,946
Professional fees	8,000	6,476	8,928
Advertising, marketing and promotion	10,500	5,273	8,384
Furniture	8,000	3,596	-
Amortization	-	2,366	949
Insurance	2,000	1,657	1,541
Utilities	1,700	1,561	1,691
Training, travel and professional development	4,500	1,312	1,420
Telephone and internet service	1,700	1,129	1,875
Office administration	1,500	625	213
Repairs and maintenance	1,500	495	1,768
Membership fees and dues	400	443	739
Tax write offs	10,000	-	
HST	2,000	-	
Total expenses	197,920	180,997	144,255
Net surplus (deficit)	12,000	38,568	(109)
Accumulated surplus, beginning of year (note 5)	23,811	23,811	23,920
Accumulated surplus, end of year (note 5)	$ 35,811	$ 62,379	$ 23,811

The accompanying notes are an integral part of these financial statements.

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT
Statement of Net Financial Assets
For the year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Net surplus (deficit)	$ -	$ 38,568	$ (109)
Acquisition of tangible capital assets	-	(16,081)	(350)
Amortization of tangible capital assets	-	2,366	949
	-	(13,715)	599
Change in net financial assets	-	24,853	490
Net financial assets, beginning of year	19,290	19,290	18,800
Net financial assets, end of year	$ 19,290	$ 44,143	$ 19,290

The accompanying notes are an integral part of these financial statements.

ARGYLE BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT
Statement of Cash Flows
For the year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Net surplus (deficit)	$ 38,568	$ (109)
Item not involving cash:		
Amortization of tangible capital assets	2,366	949
Changes in non-cash assets and liabilities:		
Other receivables	(4,759)	(4,990)
Accounts payable and accrued liabilities	2,471	6,808
Due to related parties	(13,324)	9,668
Net change in cash from operating activities	25,322	12,326
Capital activities:		
Purchase of tangible capital assets	(16,081)	(350)
Cash used in capital activities	(16,081)	(350)
Increase in cash and cash equivalents	9,241	11,976
Cash and cash equivalents, beginning of year	40,761	28,785
Cash and cash equivalents, end of year	$ 50,002	$ 40,761

The accompanying notes are an integral part of these financial statements.

1. Nature of reporting entity

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. The Argyle Business Improvement Association Board of Management (the "Board") was incorporated on October 9, 2012, in the Province of Ontario. The Board was established as a local board of The Corporation of the City of London to manage the Argyle Business Improvement Association. This Association is comprised of those lands in the City of London abutting on the north and south sides of Dundas Street, east of Highbury Avenue and west of Wavell Street.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area. The Board was granted municipality status in 2017.

Prior to incorporation, the Association operated as the Argyle Business Improvement Association and incurred revenue and expenses in the normal course of business

2. Significant accounting policies

The financial statements of the Argyle Business Improvement Association Board of Management are the representation of management, prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

Significant accounting policies are as follows:

(a) Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Leasehold improvements	10
Furniture and fixtures	5
Computer equipment	4

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

2. Significant accounting policies (continued)

(c) Government transfers

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(e) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(f) Related Party Transactions

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

3. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	2018	2017
Cash on deposit	$ 49,768	$ 40,585
Credit union membership shares	234	176
	$ 50,002	$ 40,761

4. Tangible capital assets

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Leasehold improvements	$ -	$ 8,293	$ -	$ 8,293
Furniture and fixtures	1,796	7,788	-	9,584
Computer equipment	7,213	-	-	7,213
	$ 9,009	$ 16,081	$ -	$ 25,090

Accumulated Amortization	Balance at December 31, 2017	Amortization Expense	Disposals	Balance at December 31, 2018
Leasehold improvements	$ -	$ 829	$ -	$ 829
Furniture and fixtures	1,559	826	-	2,385
Computer equipment	4,369	711	-	5,080
	$ 5,928	$ 2,366	$ -	$ 8,294

Net book value	Balance at December 31, 2017	Balance at December 31, 2018
Leasehold improvements	$ -	$ 7,464
Furniture and fixtures	237	7,198
Computer equipment	2,844	2,133
	$ 3,081	$ 16,795

5. Accumulated surplus

The balance of accumulated surplus is comprised of the following:

	2018	2017
Invested in tangible capital assets	$ 16,975	$ 3,081
Operating fund	45,548	20,730
	$ 62,379	$ 23,811

6. Related party transactions

At December 31, 2018, nil (2017 - $13,324) was owing to the Corporation of the City of London.

Financial Statements of

COVENT GARDEN MARKET CORPORATION

Year ended December 31, 2018

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Chair and Members of Covent Garden Market Corporation

Opinion

We have audited the financial statements of Covent Garden Market Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

KPMG

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 1, 2019

COVENT GARDEN MARKET CORPORATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 192,488	$ 80,413
Investments (note 2)	2,047,690	1,854,231
Accounts receivable (note 3)	264,729	259,314
Prepaid expenses	28,361	20,200
HST receivable	65,084	143,183
	2,598,352	2,357,341
Capital assets (note 4)	4,224,256	4,421,063
	$ 6,822,608	$ 6,778,404
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 266,516	$ 268,122
Current portion of long-term debt (note 6)	106,422	99,883
HST payable	65,084	143,183
	438,022	511,188
Deferred capital contributions (note 5)	1,973,821	2,068,874
Long-term debt (note 6)	716,103	822,525
Net assets:		
Invested in capital assets (note 7)	1,427,910	1,429,781
Unrestricted	2,266,752	1,946,036
	3,694,662	3,375,817
	$ 6,822,608	$ 6,778,404

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

COVENT GARDEN MARKET CORPORATION
Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Parking fees	$ 1,857,419	$ 1,701,314
Market rentals	795,166	782,946
Common area maintenance	607,136	626,656
Amortization of deferred capital contributions	95,053	115,364
Promotion fund	50,189	52,737
Central chilling lease	22,135	22,312
Management fees	17,460	17,460
Miscellaneous	2,485	3,252
	3,447,043	3,322,041
Expenses:		
Operating (Schedule)	2,618,363	2,420,116
Management (Schedule)	534,989	475,617
	3,153,352	2,895,733
Earnings before the undernoted	293,691	426,308
Other income (expenses):		
Interest income	46,497	51,793
Tenant leaseholds	(21,343)	(30,935)
	25,154	20,858
Excess of revenues over expenses	$ 318,845	$ 447,166

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Invested in capital assets (note 7)	Unrestricted	2018 Total	2017 Total
Balance, beginning of year	$ 1,429,781	$ 1,946,036	$ 3,375,817	$ 2,928,651
Excess (deficiency) of revenue over expenses	(257,832)	576,677	318,845	447,166
Net change in investment in capital assets (note 7)	255,961	(255,961)	-	-
Balance, end of year	$ 1,427,910	$ 2,266,752	$ 3,694,662	$ 3,375,817

See accompanying notes to financial statements.

COVENT GARDEN MARKET CORPORATION
Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 318,845	$ 447,166
Adjustments for:		
Amortization of capital assets	352,885	366,843
Amortization of deferred capital contributions	(95,053)	(115,364)
Net change in non-cash operating working capital (note 8)	(15,182)	(160,720)
	561,495	537,925
Capital activities:		
Purchase of capital assets	(156,078)	(182,328)
Receipt of deferred capital contributions	-	21,170
	(156,078)	(161,158)
Financing activities:		
Repayment of long-term debt	(99,883)	(93,744)
Investing activities:		
Purchase of investments	(193,459)	(398,961)
Increase (decrease) in cash	112,075	(115,938)
Cash, beginning of year	80,413	196,351
Cash, end of year	$ 192,488	$ 80,413

See accompanying notes to financial statements.

Covent Garden Market Corporation (the "Corporation") was incorporated without share capital under The Corporations Act, 1953 and pursuant to private legislation remains a local board of The City of London (the "City"). The Corporation has erected and operates a public market and parking facilities on land leased from the City.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

(a) Basis of presentation:

The Corporation follows the deferral method of accounting for contributions.

Contributions received by the Corporation without restriction are used for operational expenditures.

Contributions that are restricted in nature are used for capital expenditures or expenses determined by the Board of Directors and approved by the City.

(b) Revenue recognition:

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expense have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on the following basis at the following annual rates:

Asset	Basis	Rate
Buildings	Straight-line	40 years
Equipment and fixtures	Declining balance	20%
Computer equipment	Declining balance	33.3%
Renovations, parking upgrade	Straight-line	10 years
Central chilling program	Straight-line	15 years

(d) Deferred capital contributions:

Capital contributions are deferred and amortized over the same term and on the same basis as the related capital assets.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

PSAS requires the Corporation to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporation does not incur unrealized gains and losses which meet the definition for recognition in the statement of remeasurement gains and losses. Accordingly, no statement of remeasurement gains and losses is presented in these financial statements.

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and valuation allowances for accounts receivable. Actual results could differ from those estimates.

(g) Adoption of new accounting policies:

(i) Related Party Disclosures

The Corporation adopted Public Sector Accounting Board Standard PS 2200 *Related Party Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Board Standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Investments:

Investments are recorded at cost of amortized cost. Investments consist of highly liquid cash equivalents, bond funds and guaranteed investment certificates with terms varying from one year to two years, some of which are cashable instruments. Investments are held for the purpose of meeting short-term commitments.

3. Accounts receivable:

	2018	2017
Trade	$ 347,427	$ 277,073
Provision for doubtful accounts	82,698	17,759
	$ 264,729	$ 259,314

4. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Buildings	$ 7,430,586	$ 3,994,987	$ 3,435,599	$ 3,588,840
Equipment and fixtures	2,143,675	1,377,318	766,357	806,349
Computer equipment	44,013	40,097	3,916	5,873
Renovations, parking upgrade	100,541	95,462	5,079	5,745
Central chilling program	612,077	598,772	13,305	14,256
	$10,330,892	$ 6,106,636	$ 4,224,256	$ 4,421,063

Ownership of capital assets is vested with the City. The Corporation operates the facilities on behalf of the City. These fixed assets and the related amortization have been included in the financial statements of the Corporation in order to reflect the assets over which it has stewardship and the amortization costs related to those assets.

In accordance with the Corporation's policy, amortization is not taken until assets are available for use. As such, no amortization is taken on work in progress, as these assets are not available for use at the end of the reporting period.

5. Deferred capital contributions:

Deferred capital contributions represent contributions received from the City to fund construction for which the Corporation is responsible. These unamortized contributions will be recognized as revenue over the life of the assets for which they were received.

	2018	2017
Balance, beginning of year	$ 2,068,874	$ 2,163,068
Additional contributions received	-	21,170
Amortization of contributions	(95,053)	(115,364)
Balance, end of year	$ 1,973,821	$ 2,068,874

6. Long-term debt:

	2018	2017
Note payable to the City for construction of the mezzanine, fixed interest rate of 6.5%, unsecured, due in blended monthly payments of $6,028, due 2026	$ 407,116	$ 451,779
Note payable to the City for purchase of Tenant A Space, interest rate of 6.34%, unsecured, due in blended yearly payments of $90,000, due 2024	415,409	470,629
	822,525	922,408
Less current portion	106,422	99,883
	$ 716,103	$ 822,525

Future principal payments required on all long-term debt for the next five years and thereafter are as follows:

2019	$ 106,422
2020	113,390
2021	120,814
2022	128,724
2023	137,152
Thereafter	216,023
	$ 822,525

6. Long-term debt (continued):

Interest paid on the notes payable to the City, a related party, amounted to $62,458 (2017 - $68,596).

Lease costs associated with the central refrigeration system are charged by the Corporation to the tenants who use the system. These revenues and related costs are included in the statement of operations.

7. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2018	2017
Capital assets	$ 4,224,256	$ 4,421,063
Amounts financed by:		
Deferred capital contributions	1,973,821	2,068,874
Long-term debt	822,525	922,408
	2,796,346	2,991,282
	$ 1,427,910	$ 1,429,781

7. Invested in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

		2018		2017
Deficiency of revenues over expenses:				
Amortization of capital assets	$	(352,885)	$	(366,843)
Amortization of deferred capital contributions		95,053		115,364
	$	(257,832)	$	(251,479)
Net change in investment in capital assets:				
Purchase of capital assets	$	156,078	$	182,328
Increase in deferred capital contributions		-		(21,170)
Repayment of long-term debt		99,883		93,744
	$	255,961	$	254,902

8. Net change in non-cash balances related to continuing operations:

		2018		2017
Accounts receivable	$	(5,415)	$	(85,711)
Prepaid expenses		(8,161)		8,621
HST receivable		78,099		140,257
Accounts payable and accrued liabilities		(1,606)		(83,630)
HST payable		(78,099)		(140,257)
	$	(15,182)	$	(160,720)

9. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to credit risk with respect to the accounts receivable and cash.

The Corporation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the provision for doubtful accounts. The maximum exposure to credit risk of the Corporation at December 31, 2018 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for a provision for doubtful accounts. The amount of any related impairment loss is recognized in the income statement. Subsequent recoveries of impairment losses related to accounts receivable are credited to the income statement. The balance of the provision for doubtful accounts at December 31, 2018 is $82,698 (2017 - $17,759).

There have been no significant changes to the credit risk exposure from 2017.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant changes to the liquidity risk exposure from 2017.

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

9. Financial risks (continued):

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporation to cash flow interest rate risk.

There has been no change to the interest rate risk exposure from 2017.

COVENT GARDEN MARKET CORPORATION

Schedule - Operating and Management Expenses

Year ended December 31, 2018, with comparative information for and 2017

	2018	2017
Operating expenses:		
Contracted services and professional fees	$ 759,870	$ 673,010
Security	352,181	251,737
Amortization	348,767	358,574
Advertising	324,713	353,307
Maintenance, repairs and supplies	321,140	255,264
Light and heat	259,278	271,575
Insurance	103,239	101,594
Interest expense, notes payable	62,458	68,596
Salaries and benefits	47,299	52,911
Miscellaneous	32,611	23,473
Telephone	3,116	3,140
Professional fees	3,063	6,865
Travel and entertainment	628	70
	$ 2,618,363	$ 2,420,116

	2018	2017
Management expenses:		
Salaries	$ 290,660	$ 312,494
Benefits	76,838	79,602
Miscellaneous	71,822	26,408
Professional fees	58,509	17,367
Maintenance repairs and supplies	14,849	14,056
Telephone	7,673	6,752
Insurance	7,146	7,033
Amortization	4,118	8,269
Travel and entertainment	3,374	3,636
	$ 534,989	$ 475,617

Financial Statements of

ELDON HOUSE CORPORATION

Year ended December 31, 2018

KPMG LLP
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Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Eldon House Corporation

Qualified Opinion

We have audited the financial statements of Eldon House Corporation (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of change in net financial assets (debt) for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements, present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018, and its results of operations, its change in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

In common with many charitable organizations, Eldon House Corporation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification.

Accordingly, verification of this revenue was limited to the amounts recorded in the records of Eldon House Corporation.

Therefore, we were not able to determine whether, as at and for the year ended December 31, 2018, any adjustments might be necessary to donations and annual surplus reported in the statement of operations and statement of cash flows and financial assets reported on the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended December 31, 2017.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 16, 2019

ELDON HOUSE CORPORATION
Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017 (Recasted - Note 5)
Financial assets		
Cash and cash equivalents	$ 83,918	$ 46,961
Accounts receivable	3,488	1,806
Prepaid expenses and deposits	375	375
	87,781	49,142
Financial liabilities		
Accounts payable and accrued liabilities	70,969	42,706
Deferred revenue	2,279	5,664
Deposits payable	781	781
	74,029	49,151
Net financial assets (debt)	13,752	(9)
Non-financial assets		
Tangible capital assets (note 2)	29,785	37,524
Accumulated surplus (note 3)	$ 43,537	$ 37,515

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

		Budget 2018		2018		2017
						(Recasted - Note 5)
Revenue:						
The Corporation of the City of London	$	285,708	$	288,839	$	303,430
Other income		45,065		64,767		38,915
Grants		30,300		41,169		36,081
Donations		10,000		13,669		9,037
		371,073		408,444		387,463
Expenditures:						
Salaries and benefits		240,660		288,106		261,386
Programs and exhibitions		14,600		25,821		14,832
Office and general		14,050		21,871		30,603
Utilities		27,923		19,339		24,064
Repairs and maintenance		36,800		17,855		13,604
Amortization		-		11,602		8,667
Professional fees		5,700		7,179		14,564
Advertising		17,500		4,208		7,353
Insurance		6,000		3,833		2,970
Telephone and internet		5,590		1,837		7,309
Meals and entertainment		-		567		836
Cost of sales		2,250		204		66
		371,073		402,422		386,254
Annual surplus		-		6,022		1,209
Accumulated surplus, beginning of year		37,515		37,515		36,306
Accumulated surplus, end of year	$	37,515	$	43,537	$	37,515

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017 (Recasted - Note 5)
Annual surplus	$ -	$ 6,022	$ 1,209
Acquisition of tangible capital assets	-	(3,863)	(24,791)
Amortization	-	11,602	8,667
	-	13,761	(14,915)
Net financial assets (debt), beginning of year	(9)	(9)	14,906
Net financial assets (debt), end of year	$ (9)	$ 13,752	$ (9)

See accompanying notes to financial statements.

ELDON HOUSE CORPORATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
		(Recasted - Note 5)
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 6,022	$ 1,209
Item not involving cash:		
Amortization	11,602	8,667
Changes in non-cash operating working capital:		
Accounts receivable	(1,682)	7,146
Deposits payable	-	(219)
Accounts payable and accrued liabilities	28,263	4,273
Deferred revenue	(3,385)	5,664
	40,820	26,740
Capital activities:		
Acquisition of tangible capital assets	(3,863)	(24,791)
Increase in cash and cash equivalents	36,957	1,949
Cash and cash equivalents, beginning of year	46,961	45,012
Cash and cash equivalents, end of year	$ 83,918	$ 46,961
Represented by:		
Cash	$ 78,875	$ 41,921
Cash equivalents	5,043	5,040
	$ 83,918	$ 46,961

See accompanying notes to financial statements.

1. Significant accounting policies:

Eldon House Corporation (the "Corporation") was incorporated by Municipal Bylaw on January 1, 2013. The Corporation's primary activity is the management of the operations of Eldon House, a historic home and museum in London, Ontario.

The financial statements of the Eldon House Corporation are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada's Public Sector Handbook - Accounting ("PSAB").

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a declining balance basis over their estimated useful lives as follows:

Asset	Rate
Furniture and fixtures	20%
Computer equipment	55%
Website	20%
Office equipment	20%
CCTV security system	20%
Audio visual equipment	25%

Works of art and material cultural and historical assets are not recorded as assets in these financial statements.

1. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(e) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Corporation in carrying out its operations. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

1. **Significant accounting policies (continued):**

    (g) Revenue recognition:

    The Corporation follows the deferral method of accounting for contributions which include donations and grants.

    Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

    Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of equipment and leaseholds are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related equipment and leaseholds.

    Revenue from other income is recognized when the services are provided or the goods sold.

    (h) Budget figures:

    Budget figures have been provided for comparison purposes.

1. Significant accounting policies (continued):

(i) Adoption of new accounting policies:

(i) Related Party Disclosures:

The Corporation adopted Public Sector Accounting Board Standard PS 2200 *Related Party Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions:

The Corporation adopted Public Sector Accounting Board Standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Furniture and fixtures	$ 14,715	$ -	$ -	$ 14,715
Computer hardware	11,399	-	-	11,399
Website	7,937	-	-	7,937
Office equipment	3,409	2,605	-	6,014
CCTV security system	19,819	-	-	19,819
Audio visual equipment	-	1,258	-	1,258
Total	$ 57,279	$ 3,863	$ -	$ 61,142

Accumulated amortization	Balance at December 31, 2017	Disposals	Amortization expense	Balance at December 31, 2018
Furniture and fixtures	$ 6,559	$ -	$ 2,102	$ 8,661
Computer hardware	8,491	-	2,850	11,341
Website	2,382	-	1,588	3,970
Office equipment	341	-	941	1,282
CCTV security system	1,982	-	3,964	5,946
Audio visual equipment	-	-	157	157
Total	$ 19,755	$ -	$ 11,602	$ 31,357

2. Tangible capital assets (continued):

	Net book value December 31, 2017	Net book value December 31, 2018
Furniture and fixtures	$ 8,156	$ 6,054
Computer hardware	2,908	58
Website	5,555	3,967
Office equipment	3,068	4,732
CCTV security system	17,837	13,873
Audio visual equipment	-	1,101
Total	$ 37,524	$ 29,785

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2018	2017 (Recasted - Note 5)
Invested in tangible capital assets	$ 29,785	$ 37,524
Operating fund (deficit)	13,752	(9)
	$ 43,537	$ 37,515

4. Trust fund:

The Amelia Lucy Ronalds Little Fund represents restricted funds to be used for the improvement, redecoration, refurbishing, restoration, and enhancement of Eldon House and the artifacts contained therein. The balance in this fund at December 31, 2018 was $163,305 (2017 - $159,998). The Corporation of the City of London is responsible for administration of the fund. This fund has not been included in the statement of financial position of the Corporation.

5. Prior period adjustment:

The comparative information has been recast to correct immaterial errors in the prior period financial statements, which resulted in the understatement of accounts payable and accrued liabilities of $16,147 and the overstatement of accumulated surplus of $21,726 and salaries and benefits of $5,579.

Financial Statements of

FAIR-CITY JOINT VENTURE

Year ended June 30, 2018

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Venture Partners of Fair-City Joint Venture

We have audited the accompanying financial statements of Fair-City Joint Venture ("the Entity"), which comprise the statement of financial position as at June 30, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fair-City Joint Venture as at June 30, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

August 16, 2018

FAIR-CITY JOINT VENTURE

Statement of Financial Position

June 30, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 433,195	$ 556,175
Investment (note 2)	839,455	827,692
Accounts receivable (note 3)	169,344	264,594
Prepaid expenses	156,217	153,925
	1,598,211	1,802,386
Capital assets (note 4)	11,262,497	11,755,263
	$ 12,860,708	$ 13,557,649
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 174,592	$ 394,184
Payable to Western Fair Association (note 14)	180,671	145,824
Deferred revenue	339,520	332,083
Current portion of related party debt, secured (note 6)	881,956	828,294
Current portion of obligations under capital leases (note 7)	114,651	108,733
	1,691,390	1,809,118
Related party debt, secured (note 6)	2,286,535	3,168,491
Obligations under capital leases (note 7)	1,236,108	1,349,277
Employee future benefits (note 8)	159,801	226,572
Deferred capital contributions (note 9)	3,019,259	3,151,886
Net assets:		
Investment in capital assets (note 10)	3,723,988	3,148,582
Internally restricted (note 12)	743,627	703,723
	4,467,615	3,852,305
Contingencies (note 16)		
	$ 12,860,708	$ 13,557,649

See accompanying notes to financial statements.

On behalf of the Joint Venture:

______________ Director ______________ Director

FAIR-CITY JOINT VENTURE

Statement of Operations

Year ended June 30, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Ice rentals (note 14)	$ 3,333,899	$ 3,294,308
Sponsorship and other	455,476	617,428
Amortization of deferred capital contributions	132,627	132,627
	3,922,002	4,044,363
Expenditures:		
Salaries and benefits	1,128,585	1,118,635
Utilities	673,085	680,648
Amortization of capital assets	641,127	636,611
Supplies and services	389,290	363,251
Interest expense (note 14)	332,048	385,738
Management fees from venturer (note 14)	235,183	242,479
	3,399,318	3,427,362
Excess of revenues over expenditures (note 13)	$ 522,684	$ 617,001

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Changes in Net Assets

Year ended June 30, 2018, with comparative information for 2017

	Western Fair Association	The City of London	Internally restricted (note 12)	Investment in capital assets (note 10)	Total 2018	Total 2017
Balance, beginning of year	$ -	$ -	$ 703,723	$ 3,148,582	$ 3,852,305	$ 3,244,847
Excess of revenues over expenditures	306,141	216,543	-	-	522,684	617,001
Employee future benefit remeasurements	54,252	38,374	-	-	92,626	(9,543)
Allocation to internally restricted net assets	(110,268)	(77,997)	188,265	-	-	-
Change in investment in capital assets	(250,125)	(176,920)	(148,361)	575,406	-	-
Balance, end of year	$ -	$ -	$ 743,627	$ 3,723,988	$ 4,467,615	$ 3,852,305

See accompanying notes to financial statements.

FAIR-CITY JOINT VENTURE

Statement of Cash Flows

Year ended June 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenditures	$ 522,684	$ 617,001
Items not involving cash:		
Amortization of capital assets	641,127	636,611
Change in employee future benefits liability	25,855	22,788
Amortization of deferred capital contributions	(132,627)	(132,627)
Loss on disposal of capital asset	-	4,256
Changes in non-cash operating working capital:		
Accounts receivable	95,250	(115,595)
Prepaid expenses	(2,292)	25,192
Accounts payable and accrued liabilities	(219,592)	148,791
Payable to Western Fair Association	34,847	50,514
Deferred revenue	7,437	(19,395)
	972,689	1,237,536
Financing activities:		
Repayments of related party debt	(828,294)	(777,896)
Payment of obligations under capital leases	(107,251)	(96,282)
	(935,545)	(874,178)
Investing activities:		
Purchase of capital assets	(148,361)	(456,464)
Net change in investment	(11,763)	154,073
	(160,124)	(302,391)
Increase (decrease) in cash	(122,980)	60,967
Cash, beginning of year	556,175	495,208
Cash, end of year	$ 433,195	$ 556,175

See accompanying notes to financial statements.

The Fair-City Joint Venture ("Joint Venture") is a partnership between the Western Fair Association ("Association") and The City of London ("City") entered into on September 1, 2000. Each venturer controls 50% of the Joint Venture. The purpose of the Joint Venture is to construct and operate a four pad arena to provide facilities for the betterment of the community, and is to be used by the community as a whole. The Joint Venture is registered under the Ontario Partnerships Act.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting.

The Joint Venture's significant accounting policies are as follows:

(a) Revenue recognition:

The Joint Venture recognizes revenue when the service has been rendered and persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable and collection is reasonably assured. Deposits received for future rentals are included in deferred revenue until the rental is provided and the sale is recognized.

Contributions restricted for the purpose of capital assets are deferred, and when expended, are amortized into revenue at a rate corresponding with the amortization for the related capital asset.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Capital assets are amortized on a straight-line basis as follows:

Asset	Basis	Rate
Building	Straight-line	40 years
Machinery and equipment	Straight-line	5 years
Special alterations	Straight-line	10-25 years
Solar array under capital lease	Straight-line	20 years

When assets become fully amortized, the cost of the asset and the related accumulated amortization are removed from the respective amounts. Costs related to capital projects in progress are accumulated and no amortization is recorded until the capital project is substantially complete and the assets are ready for use. When completed, the costs of capital projects in progress are transferred to the appropriate asset category and amortized in accordance with the category's useful life.

1. Significant accounting policies (continued):

(c) Employee future benefits:

(i) Pension plan:

The Joint Venture participates in the defined contribution pension plan sponsored by the Association.

(ii) Post-employment benefits other than pension:

The Joint Venture also participates in the post-employment benefits plan provided by the Association that provides its current and retired employees with extended health and dental benefits, post retirement insurance coverage and sick leave benefits. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service using management's best estimates of salary escalation, retirement ages of employees and expected health care costs. Remeasurement differences arising from plan amendments, changes in assumptions and actuarial gains and losses are immediately recognized in net assets.

The Joint Venture accrues its obligations under employee post-employment benefits other than pension as the employees render the services necessary to earn them based on the latest valuation for accounting purposes. The actuarial valuation is performed at least every three years. In the years between valuations, plan results are prepared based on extrapolations of the latest available valuation results.

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on he acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Joint Venture determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset, If there is a significant adverse change in the cash flows, the amount that could be realized from selling the financial asset or the amount the Joint Venture expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and employee future benefits. Actual amounts could differ from those estimates.

2. Investment:

The investment is comprised of a term deposit that matures on November 27, 2018 with an effective interest rate of 1.75% (2017 - 0.97%).

3. Accounts receivable:

	2018	2017
Trade	$ 129,786	$ 193,375
Miscellaneous	39,558	76,609
	169,344	269,984
Allowance for doubtful accounts	-	(5,390)
	$ 169,344	$ 264,594

4. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Building	$ 15,446,432	$ 6,311,815	$ 9,134,617	$ 9,532,150
Machinery and equipment	546,750	310,191	236,559	340,688
Special alterations	1,226,312	366,871	859,441	776,840
Solar array under capital lease	1,474,114	442,234	1,031,880	1,105,585
	$ 18,693,608	$ 7,431,111	$ 11,262,497	$ 11,755,263

At June 30, 2018, machinery and equipment includes assets under capital lease with a cost of $287,144 (2017 - $287,144) and accumulated amortization of $131,007 (2017 - $78,799).

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $6,024 (2017 - $5,269), which includes amounts payable for payroll related taxes. Included in miscellaneous receivables is HST receivable in the amount of $22,227 (2017 - $26,224)

6. Related party debt:

	2018	2017
Obligation to The City of London:		
Term loan, bearing interest at 6.377%, payable in monthly blended payments of $88,019, due October 1, 2021, secured by a general security agreement over all assets	$ 3,168,491	$ 3,996,785
Current portion of related party debt	881,956	828,294
	$ 2,286,535	$ 3,168,491

Principal repayments over the next five years and thereafter are as follows:

2019	$ 881,956
2020	939,095
2021	999,936
2022	347,504
2023	-
	$ 3,168,491

7. Obligations under capital leases:

The Joint Venture has entered into two capital leases for certain ice surfacing equipment which expire December 1, 2019 and January 15, 2021 and one capital lease for a solar array expiring June 28, 2033.

2019	$ 197,127
2020	163,824
2021	146,037
2022	146,037
2023	146,037
Thereafter	1,241,316
Total minimum lease payments	2,040,378
Less amount representing interest at between 3.37% and 8.21%	689,619
Present value of net minimum capital lease payments	1,350,759
Current portion of obligations under capital leases	114,651
	$ 1,236,108

8. Employee future benefits:

(a) Pension plan:

The Joint Venture contributed and expensed $22,655 (2017 - $18,784) to the defined contribution pension plan during the year.

8. Employee future benefits (continued):

(b) Post-employment benefits other than pension:

The Joint Venture provides its current and retired employees with extended health and dental benefits and post retirement insurance coverage. The Joint Venture's post employment benefits also include sick leave benefits comprised of a non-vested and vested portion. The non-vested program allows for employees to accumulate at most 85 unused sick days and the vested program provides for 50% of sick days accumulated prior to March 2012 to be paid to the employee on retirement. All benefits are provided upon retirement and provide coverage equal to one year for every five years of employment. These benefits are not payable on death or termination.

The most recent actuarial valuation was prepared as at June 30, 2018 for the health plan. The most recent actuarial valuation of the sick leave plans was performed as of June 30, 2017 and the results have been extrapolated to June 30, 2018

The discount rate used in the actuarial measurement of the employee future benefit liability was 3.69% (2017 - 3.46%). The employee future benefit liability relating to post-employment benefits other than pension is $159,801 (2017 - $226,572). This liability has been recorded in the financial statements.

Benefit expenses included in salaries and benefits expenditures consist of the following:

	2018	2017
Current service cost	$ 19,705	$ 17,543
Interest cost	8,150	7,247
	$ 27,855	$ 24,790

Details of annual contributions and benefits paid are as follows:

	2018	2017
Employer contributions	$ 2,000	$ 2,000
Benefit payments	(2,000)	(2,000)

9. Deferred capital contributions:

Deferred capital contributions represent both the unamortized amounts of grants already spent, and the unspent amount of grants received for the future purchase of capital assets.

The change in deferred capital contributions consist of the following:

	2018	2017
Balance, beginning of year	$ 3,151,886	$ 3,284,513
Amortization of deferred capital contributions	(132,627)	(132,627)
Balance, end of year	$ 3,019,259	$ 3,151,886

10. Investments in capital assets:

Investments in capital assets consists of the following:

	2018	2017
Capital assets	$ 11,262,497	$ 11,755,263
Less amounts financed by:		
Related party debt	(3,168,491)	(3,996,785)
Obligation under capital leases	(1,350,759)	(1,458,010)
Deferred capital contributions	(3,019,259)	(3,151,886)
	(7,538,509)	(8,606,681)
	$ 3,723,988	$ 3,148,582

10. Investments in capital assets (continued):

The change in investment in capital assets is calculated as follows:

	2018	2017
Amortization of deferred capital contributions	$ 132,627	$ 132,627
Amortization of capital assets	(641,127)	(636,611)
Loss on disposal of capital asset	-	(4,256)
	(508,500)	(508,240)
Purchase of capital assets	148,361	597,356
Repayment of related party debt	828,294	777,896
Repayment of obligations under capital leases	107,251	96,282
Increase in obligations under capital leases	-	(140,893)
	$ 575,406	$ 822,401

11. Contributions to Joint Venture:

In return for their interests in the Joint Venture, both the City and the Association made contributions to the Joint Venture. The City contributed a $5,000,000 non-refundable capital grant which is recorded as a deferred capital contribution. The Association contributed the lease of the land for the arena at below market values and ongoing project management. Under the terms of the joint venture agreement, the venturers agree to a contribution to internally restricted net assets for future capital purchases annually. For the year ended June 30, 2018, both venturers agreed to a total contribution of $188,265 (2017 - $241,520).

12. Internally restricted net assets:

	2018	2017
Balance, beginning of year	$ 703,723	$ 918,666
Current year allocation	188,265	241,520
Capital expenditures	(148,361)	(456,463)
Balance, end of year	$ 743,627	$ 703,723

13. Allocation of excess of revenues over expenditures to venturers:

The excess of revenues over expenditures of the Joint Venture have been allocated to the venturers in accordance with the Joint Venture agreement. The agreement states that the excess of revenues over expenditures will be allocated to the Association for the first five years and will be allocated equally to the venturers after this time until certain related party debt repayment thresholds are met. Once the Joint Venture has repaid $5 million of principal on the related party debt, for every $1 million repayment thereafter, the Association's equity interest will increase by 2.857%, to a maximum of 70%, and the City's equity interest will decrease by 2.857%, to a minimum of 30%. Any deficiency of revenue over expenditures incurred by the Joint Venture accrues to the Association.

The Association's equity interest as at June 30, 2018 was 58.57% (2017 - 58.57%) and the City's equity interest was 41.43% (2017 - 41.43%). As per the partnership agreement, change in the equity interest is applied to the first day in the year that the threshold is met and to each year thereafter when subsequent repayment thresholds are met.

The terms of the Joint Venture Agreement stipulate that the excess of revenues over expenditures available for distribution to the venturers annually is determined as follows:

	2018	2017
Excess of revenues over expenditures	$ 522,684	$ 617,001
Amortization of capital assets	641,127	636,611
Amortization of deferred capital contributions	(132,627)	(132,627)
Loss on disposal of capital asset	-	4,256
Repayment of related party debt	(828,294)	(777,896)
Repayment of obligations under capital leases	(107,251)	(96,282)
	95,639	251,063
Allocation to internally restricted net assets	(188,265)	(241,520)
Employee future benefit remeasurements	92,626	(9,543)
Amounts available for distribution to the venturers	$ -	$ -

14. Related party transactions:

During the year, the Joint Venture entered into the following transactions, which are recorded at the exchange amount, with related parties:

(a) During the year, the City, a related party, rented ice time from the Joint Venture in the amount of $1,820,493 (2017 - $1,792,285).

(b) The Joint Venture also paid interest of $227,930 (2017 - $278,328) to the City on account of the related party debt (note 6).

(c) There were no venturer distributions declared during the year and paid or payable to Western Fair Association and The City of London (2017 - nil and nil) respectively.

(d) During the year, the Joint Venture paid management fees to the Association in the amount of $235,183 (2017 - $242,479).

Payable to Western Fair Association of $180,671 (2017 - $145,824) and Payable to The City of London of nil (2017 - nil) are unsecured and non-interest bearing with no specific repayment terms.

15. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Joint Venture will be unable to fulfill its obligations in a timely basis or at a reasonable cost. The Joint Venture manages its liquidity risk by monitoring its operating requirements. There have been no changes to the risk exposures from 2017.

(b) Credit risk:

Credit risk is the risk of financial loss to the Joint Venture if a counterparty to a financial instrument fails to meet its obligation. The Joint Venture is exposed to credit risks with respect to accounts receivable. The Joint Venture has established policies for extending credit to various businesses, groups and individuals who purchase goods and services from the Joint Venture in order to reduce incidents of non-payment. Management believes that the credit risk is minimized by dealing with creditworthy counterparties.

16. Contingencies:

From time-to-time the Joint Venture may have litigation pending or in progress. With respect to claims at June 30, 2018, management's position is that the Joint Venture has valid defences and appropriate insurance coverage in place. In the opinion of management, the aggregate amount of any potential liability is not expected to have a material effect on the Joint Venture's financial position.

Financial Statements of

HOUSING DEVELOPMENT CORPORATION, LONDON

Year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Housing Development Corporation, London

Opinion

We have audited the financial statements of Housing Development Corporation, London (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 18, 2019

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Financial Position
As at December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Due from the Corporation of the City of London (note 3)	**$ 7,877,704**	$ 5,926,529
Trade and other receivables	**58,604**	27,895
Total financial assets	**7,936,308**	5,954,424
Financial liabilities		
Accounts payable and accrued liabilities	**135,850**	27,739
Deferred revenue	**3,000**	-
Total financial liabilities	**138,850**	27,739
Net financial assets	**7,797,458**	5,926,685
Non-financial assets		
Tangible capital assets (note 4)	**451,544**	1,346
Prepaid expenses	**5,666**	63,975
Total non-financial assets	**457,210**	65,321
Accumulated surplus (note 5)	**$ 8,254,668**	**$ 5,992,006**

Commitments (note 9)

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Operations
For the year ended December 31, 2018, with comparative information for 2017

	Budget (note 8)	2018	2017
Revenues			
Transfer payments			
Municipal - the Corporation of the City of London (note 3)	$ 2,817,745	**$ 2,987,331**	$ 4,343,164
Federal	-	**13,010**	3,100
Interest income	-	**132,286**	54,933
Other	-	**-**	6,000
Total revenues	2,817,745	**3,132,627**	4,407,197
Expenses			
Salaries, wages and benefits	658,961	**563,327**	427,796
Materials and supplies	78,784	**31,582**	30,764
Contracted services	41,700	**115,588**	124,594
Office rental expense	38,300	**22,318**	24,674
External transfers	-	**100,000**	100,000
Amortization of tangible capital assets (note 4)	-	**37,150**	385
Total expenses	817,745	**869,965**	708,213
Annual surplus	2,000,000	**2,262,662**	3,698,984
Accumulated surplus, beginning of year (note 5)	5,992,006	**5,992,006**	2,293,022
Accumulated surplus, end of year (note 5)	$ 7,992,006	**$ 8,254,668**	**$ 5,992,006**

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Net Financial Assets
For the year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus	$ 2,000,000	**$ 2,262,662**	$ 3,698,984
Acquisition of tangible capital assets	(23,674)	**(231,947)**	-
Contributions of tangible capital assets	-	**(255,401)**	-
Amortization of tangible capital assets	-	**37,150**	385
	1,976,326	**1,812,464**	3,699,369
Change in prepaid expenses	-	**58,309**	(60,033)
Change in net financial assets	1,976,326	**1,870,773**	3,639,336
Net financial assets, beginning of year	5,926,685	**5,926,685**	2,287,349
Net financial assets, end of year	$ 7,903,011	**$ 7,797,458**	**$ 5,926,685**

The accompanying notes are an integral part of these financial statements.

HOUSING DEVELOPMENT CORPORATION, LONDON
Statement of Cash Flows
For the year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by:		
Operating activities:		
Annual surplus	$ 2,262,662	$ 3,698,984
Items not involving cash:		
Amortization of tangible capital assets	37,150	385
Contributions of tangible capital assets	(255,401)	-
Changes in non-cash assets and liabilities:		
Due from the Corporation of the City of London	(1,951,175)	(3,620,529)
Prepaid expenses	58,309	(60,033)
Trade and other receivables	(30,709)	(24,846)
Accounts payable and accrued liabilities	108,111	6,039
Deferred revenue	3,000	-
Net change in cash from operating activities	231,947	-
Capital activities:		
Purchase of tangible capital assets	(231,947)	-
Cash used in capital activities	(231,947)	-
Net change in cash flows and cash, end of year	$ -	$ -

The accompanying notes are an integral part of these financial statements.

1. Nature of reporting entity

Housing Development Corporation, London (the "Corporation") is a municipal services corporation with share capital incorporated under the *Business Corporations Act*, R.S.O. 1990, c.B.16 on October 26, 2015.

The Corporation is a wholly owned subsidiary company of The Corporation of the City of London (the "City") and is managed by a Board of Directors appointed by the City, as the sole shareholder.

2. Significant accounting policies

The financial statements of the Corporation are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants (CPA) of Canada Public Sector Handbook – Accounting.

Significant accounting policies are as follows.

(a) Basis of accounting

Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Leasehold improvements	Lease term
Office equipment and furniture	5

Annual amortization is charged in the year of acquisition and in the year of disposal using the following rules:

- Leasehold improvements – prorated by month, based on in-service date
- Office equipment and furniture - half year rule.

Assets under construction are not amortized until the asset is available for productive use.

(c) Government transfers

Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

2. Significant accounting policies (continued)

(d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

(e) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(f) Liability for contaminated sites

Under PS 3260, liability for contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(g) Related Party Disclosures

The Corporation adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Significant accounting policies (continued)

(h) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Board standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standards specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

3. Related Party Transactions

The City maintains a separate general ledger on behalf of the Corporation. All funds are paid and received through the City's bank account and are held for use by the Corporation.

In accordance with the City of London Council's direction of September 2, 2014, the Corporation has been extended shared services support from the City. The City's support services include information technology, risk management, facility, finance, payroll, purchasing, legal and other administrative services to ensure operational efficiency. The Corporation has also entered into an agreement with the City under which the Corporation reimburses the City for salaries and fringe benefits for employees that provide services on behalf of the Corporation. The Corporation incurred charges of **$200,667** (2017 - $193,896) for these services and this expense has been included in the Statement of Operations.

During the year, the Corporation received municipal revenues from the shareholder, as follows:
(a) Operating budget appropriation revenue of **$281,015** (2017 - $481,176)
(b) Annual contribution to the affordable housing reserve fund of **$2,000,000** (2017 - $3,600,000)
(c) Administrative fee revenue of **$450,915** (2017 - $261,988)
(d) Municipal funding contribution of **$255,401** (2017 – nil) for land acquisition. On May 30, 2017, the City of London Council passed a resolution to transfer lands from City of London ownership to the Corporation for affordable housing purposes. The transaction was completed during 2018 and recorded as a tangible capital asset addition by the Corporation, noting that the lands were transferred at their net book values, as follows:

	Net book value	Market value
403 Thompson Road, London	$ 160,000	$ 250,000
122 Baseline Road West, London	95,401	490,000
	$ 255,401	$ 740,000

The City Council resolution stipulates that the transfer will be subject to a 10-year reversion clause should the lands not be sold or developed by the Corporation.

4. Tangible capital assets

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	$ -	$ 265,315	$ -	$ 265,315
Leasehold improvements	-	218,431	-	218,431
Office equipment and furniture	1,923	3,602	-	5,525
Total	$ 1,923	$ 487,348	$ -	$ 489,271

Accumulated Amortization	Balance at December 31, 2017	Amortization Expense	Disposals	Balance at December 31, 2018
Land	$ -	$ -	$ -	$ -
Leasehold improvements	-	36,405	-	36,405
Office equipment and furniture	577	745	-	1,322
Total	$ 577	$ 37,150	$ -	$ 37,727

	Net book value December 31, 2017	Net book value December 31, 2018
Land	$ -	$ 265,315
Leasehold improvements	-	182,026
Office equipment and furniture	1,346	4,203
Total	$ 1,346	$ 451,544

5. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
Surplus:		
Invested in tangible capital assets	**$ 451,544**	$ 1,346
Total surplus	**451,544**	1,346
Reserve funds set aside for specific purpose by the Board:		
Future affordable housing	**7,803,024**	5,990,560
Total reserve funds (note 6)	**7,803,024**	5,990,560
Share capital:		
100 Class A common shares (note 7)	**100**	100
Total share capital	**100**	100
	$ 8,254,668	$ 5,992,006

6. Analysis of reserve fund

	2018	2017
Reserve fund for future affordable housing:		
Balance, beginning of year	$ 5,990,560	$ 2,291,191
Interest earned	132,286	54,933
Contributions from current operations:		
Annual	2,000,000	2,000,000
Additional one-time from City of London	-	1,600,000
Current year surplus	22,514	32,500
Current year surplus reserved for office leasehold improvements	-	111,936
Transfers to current operations	(100,000)	(100,000)
Transfers to capital operations:		
Office leasehold improvements	(218,431)	-
Development of land for future use	(23,905)	-
Balance, end of year	$ 7,803,024	$ 5,990,560

	2018	2017
Comprised of:		
Contributions from the City of London, stipulated for use in future affordable housing projects	$ 7,469,959	$ 5,568,073
Accumulated operating surpluses held for future administration expenses	333,065	422,487
Balance, end of year	$ 7,803,024	$ 5,990,560

7. Share capital

	2018	2017
Authorized:		
An unlimited number of Class A common shares		
An unlimited number of Class B common shares		
An unlimited number of Class C common shares		
An unlimited number of non-cumulative, redeemable, voting Class A Special shares		
An unlimited number of non-cumulative, redeemable, voting Class B Special shares		
An unlimited number of non-cumulative, redeemable, voting Class C Special shares		
An unlimited number of non-cumulative, redeemable, voting Class D Special shares		
An unlimited number of non-cumulative, redeemable, voting Class E Special shares		
Issued:		
100 Class A common shares	$ 100	$ 100

8. Budget data

Budget data presented in these financial statements are based upon the 2018 operating budget approved by the City and interim Board and then transferred to the Corporation. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

		Budget
Revenue:		
Municipal revenue – The Corporation of the City of London	$	690,453
Total revenue		690,453
Expenses:		
Personnel costs		167,603
Administrative expenses		89,760
Purchased services		428,150
Materials and supplies		2,360
Furniture and equipment		2,580
Total expenses		690,453
Net surplus as per Approved Budget	$	-
Public Sector Accounting Board (PSAB) Reporting Requirements and Budget adjustments:		
Decrease in government grants and subsidies	$	(410,000)
Increase in municipal revenue		2,537,292
Increase in personnel costs and other expenses		(127,292)
Net PSAB Budget Surplus as per Financial Statements	**$**	**2,000,000**

9. Commitments

a) The City is responsible for the delivery and administration of affordable housing programs in the City of London and the County of Middlesex. The City has delegated responsibilities for the administration and development activities for capital development within the Rental Housing Component to the Corporation.

Under this delegated authority, the Corporation has entered into various Municipal Contribution Agreements related to Affordable Housing Programs. The agreements are between the Corporation, the City and the successful proponent, who is selected through a procurement process. The agreements establish the proponent's obligations with respect to the program and the Corporation's and City's obligation to provide funding to the proponent.

As at December 31, 2018, the Corporation has outstanding commitments remaining on these agreements of **$4,292,945** (2017 - $359,845).

9. Commitments (continued)

b) The Corporation is committed to the following minimum annual operating lease payments for premises as follows:

2019	$ 22,500
2020	23,125
2021	23,250
2022	23,875
2023	4,000
Total	**$ 96,750**

DRAFT Financial Statements of

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

For the period from October 3, 2017 to December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Hyde Park Business Improvement Association Board of Management

Opinion

We have audited the financial statements of The Hyde Park Business Association Board of Management (the "Board"), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the period from October 3, 2017 to December 31, 2018;
- the statement of changes in net financial assets for the period from October 3, 2017 to December 31, 2018;
- the statement of cash flows for the period from October 3, 2017 to December 31, 2018,
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2018, and its results of operations and its cash flows for the period from October 3, 2017 to December 31, 2018 in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

[Date]

London, Canada

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Financial Position

DRAFT

December 31, 2018

		2018
Financial assets		
Cash	$	70,171
Accounts receivable		19,146
HST receivable		17,880
		107,197
Financial liabilities		
Accounts payable and accrued liabilities		29,385
Deferred revenue		436
Due to The City of London		16,860
		46,681
Net financial assets		60,516
Non-financial assets		
Tangible capital assets (note 4)		6,884
Prepaid expenses		4,708
		11,592
Accumulated surplus (note 3)	$	72,108

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Operations

DRAFT

For the period from October 3, 2017 to December 31, 2018

	Budget 2018	2018
Revenues:		
Municipal levy - The City of London	$ 306,754	$ 325,900
Other:		
Miscellaneous	-	3,788
Program income	-	1,859
	306,754	331,547
Expenditures:		
Administration	101,929	104,991
Business development	124,500	93,550
Office	29,026	27,138
Loss on transfer of net liabilities (note 5)	-	14,015
General expenses	15,236	11,852
Member services	14,633	6,185
Amortization of tangible capital assets	-	1,208
Miscellaneous	21,430	500
	306,754	259,439
Surplus	-	72,108
Accumulated surplus, end of period	$ -	$ 72,108

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Changes in Net Financial Assets

DRAFT

For the period from October 7, 2017 to December 31, 2018

	Budget 2018	2018
Surplus	$ -	$ 72,108
Acquisition of tangible capital assets	-	(8,092)
Amortization of tangible capital assets	-	1,208
	-	65,224
Acquisition of prepaid expenses	-	(4,708)
Change in net financial assets	-	60,516
Net financial assets, end of period	$ -	$ 60,516

See accompanying notes to financial statements.

THE HYDE PARK BUSINESS IMPROVEMENT ASSOCIATION BOARD OF MANAGEMENT

Statement of Cash Flows

DRAFT

For the period from October 7, 2017 to December 31, 2018

		2018
Cash provided by (used in):		
Operating activities:		
Surplus	$	72,108
Item not involving cash:		
Amortization of tangible capital assets		1,208
Changes in non-cash operating working capital:		
Accounts receivable		(19,146)
HST receivable		(17,880)
Accounts payable and accrued liabilities		29,385
Due to The City of London		16,860
Deferred revenue		436
Prepaid expenses		(4,708)
		78,263
Capital activities:		
Purchase of tangible capital assets		(8,092)
Cash, end of period	$	70,171

See accompanying notes to financial statements.

1. Nature of reporting entity:

Subsection 204(1) of the Municipal Act, 2001 provides that a local municipality may designate an area as an improvement area and may establish a board of management. The Hyde Park Business Improvement Association Board of Management (the "Board") was incorporated on October 3, 2017, in the Province of Ontario. The Board was established as a local board of The Corporation of the City of London to manage the Hyde Park Business Improvement Area.

The Board was established to oversee the improvement, beautification and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally and to promote the area as a business or shopping area.

Prior to incorporation, the Board operated as Hyde Park Business Association and incurred revenue and expenses in the normal course of business.

The financial statements of The Hyde Park Business Improvement Association Board of Management are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

2. Significant accounting policies:

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Furniture and fixtures	10
Computer hardware	8

2. Significant accounting policies (continued):

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(f) Budget figures:

Budget figures have been provided for comparison purposes.

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

	2018
Invested in tangible capital assets	$ 8,092
Operating fund	64,016
	$ 72,108

4. Tangible capital assets:

Cost	Additions	Disposals	December 31, 2018
Furniture and fixtures	$ 6,226	$ -	$ 6,226
Computer hardware	1,866	-	1,866
Total	$ 8,092	$ -	$ 8,092

Accumulated amortization	Amortization Expense	Disposals	Net book value December 31, 2018
Furniture and fixtures	$ 462	$	$ 462
Computer hardware	746		746
Total	$ 1,208		$ 1,208

	Net book value December 31, 2018
Furniture and fixtures	$ 5,764.55
Computer hardware	1,119.53
Total	$ 6,884

5. Related party transaction:

During the year assets of $4,352 and liabilities of $18,367 were transferred to the Board from Hyde Park Business Association. These were transferred at their carrying values.

Financial Statements of

THE LONDON CONVENTION CENTRE CORPORATION

Year ended December 31, 2018

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Chair and Members of The London Convention Centre Corporation

Opinion

We have audited the financial statements of The London Convention Centre Corporation (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 3, 2019

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents	$ 524,865	$ 736,885
Accounts receivable	474,480	547,836
Other receivables	15,511	13,549
Receivable from The City of London	-	8,874
	1,014,856	1,307,144
Financial Liabilities		
Accounts payable and accrued liabilities	687,516	781,377
Payable to The City of London	74,604	-
Long-term debt (note 6)	1,606,910	1,787,991
Accrued sick and vacation	54,593	38,449
Advance deposits	463,237	481,843
	2,886,860	3,089,660
Net financial debt	(1,872,004)	(1,782,516)
Non-Financial Assets		
Tangible capital assets (note 4)	17,453,957	18,375,774
Prepaid expenses	47,826	26,765
Inventory (note 2)	57,104	66,992
	17,558,887	18,469,531
Accumulated surplus (note 7)	$ 15,686,883	$ 16,687,015

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Revenue:			
Food and beverage	$ 4,060,000	$ 4,146,433	$ 3,745,057
Space rental	620,000	776,953	624,357
City capital appropriation	636,420	653,985	579,966
Parking	521,231	529,909	497,542
Technical	339,754	447,875	349,159
Capital reserve drawdown	1,128,000	371,921	300,969
Other	593,163	843,150	713,202
	7,898,568	7,770,226	6,810,252
Cost of goods sold:			
Food and beverage	1,063,746	1,089,748	963,883
Other	62,528	149,057	64,368
Technical	8,600	6,917	14,287
	1,134,874	1,245,722	1,042,538
	6,763,694	6,524,504	5,767,714
Expenditures:			
Event services and culinary	1,853,078	2,127,308	1,895,142
Amortization of tangible capital assets	1,293,738	1,293,738	1,331,377
Corporate services	893,746	975,477	871,441
Sales and catering	942,944	941,999	817,538
City appropriation	636,420	869,090	678,953
Energy	560,100	546,428	543,543
Facility services	446,371	481,032	438,582
Cleaning	135,692	134,730	110,479
Parking	50,926	56,767	58,208
Other	39,808	46,112	44,118
Technical	31,460	12,567	26,306
Interest and bank charges	39,388	39,388	43,385
	6,923,671	7,524,636	6,859,072
Annual deficit (note 8)	(159,977)	(1,000,132)	(1,091,358)
Accumulated surplus, beginning of year	16,687,015	16,687,015	17,778,373
Accumulated surplus, end of year	$ 16,527,038	$ 15,686,883	$ 16,687,015

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Change in Net Financial Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Annual deficit	$ (159,977)	$ (1,000,132)	$ (1,091,358)
Acquisition of tangible capital assets	(1,128,000)	(371,921)	(289,009)
Amortization of tangible capital assets	1,293,738	1,293,738	1,331,377
	5,761	(78,315)	(48,990)
Acquisition of inventories	-	(57,104)	(66,992)
Acquisition of prepaid expenses	-	(47,826)	(26,765)
Consumption of inventories	-	66,992	53,021
Use of prepaid expenses	-	26,765	26,559
	-	(11,173)	(14,177)
Decrease (increase) in net financial debt	5,761	(89,488)	(63,167)
Net financial debt, beginning of year	(1,782,516)	(1,782,516)	(1,719,349)
Net financial debt, end of year	$ (1,776,755)	$ (1,872,004)	$ (1,782,516)

See accompanying notes to financial statements.

THE LONDON CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual deficit	$ (1,000,132)	$ (1,091,358)
Item not involving cash:		
Amortization of tangible capital assets	1,293,738	1,331,377
Changes in non-cash operating working capital:		
Accounts receivable	73,356	(339,630)
Other receivables	(1,962)	80,461
Inventory	9,888	(13,971)
Accounts payable and accrued liabilities	(93,861)	250,014
Accrued sick and vacation	16,144	(22,648)
Receivable from/Payable to The City of London	83,478	(104,995)
Advance deposits	(18,606)	(85,898)
Prepaid expenses	(21,061)	(206)
	340,982	3,146
Financing activities:		
Repayment of long-term debt	(181,081)	(177,009)
Investing activities:		
Acquisition of tangible capital assets	(371,921)	(289,009)
Decrease in cash and cash equivalents	(212,020)	(462,872)
Cash and cash equivalents, beginning of year	736,885	1,199,757
Cash and cash equivalents, end of year	$ 524,865	$ 736,885
Cash and cash equivalents consist of:		
Cash (bank indebtedness)	$ (7,392)	$ 210,298
Short-term investments held by the City of London with an average yield of 1.10%	532,257	526,587
	$ 524,865	$ 736,885

See accompanying notes to financial statements.

1. Significant accounting policies:

The financial statements of The London Convention Centre Corporation are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Buildings and building improvements	5 - 40 years
Furniture and equipment	5 - 20 years
Infrastructure	3 - 10 years
Vehicles	10 - 20 years

(c) Revenue recognition:

Revenue from events is recorded in the statement of operations in the year in which the event is held, and the related receivable is considered collectible.

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

1. Significant accounting policies (continued):

(d) Inventory:

Inventory is valued at the lower of cost, being laid down cost, and net realizable value, using the specific item costing method.

(e) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include valuation of accounts receivable, inventory, and tangible capital assets. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments in the financial statements on a prospective basis. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

(f) Budget amounts:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and public sector accounting standards (PSAS), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAS.

1. Significant accounting policies (continued):

(g) Adoption of new accounting policies:

(i) Related Party Disclosures

The Corporation adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions

The Corporation adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Inventory:

At December 31, inventory consists of:

	2018	2017
Food	$ 17,819	$ 26,025
Beverages	39,285	40,967
	$ 57,104	$ 66,992

3. Capital reserve:

A capital reserve is managed by The City of London to finance future capital expenditures. The reserve has not been recognized in these financial statements and will be accounted for as the funds are received and expended.

	2018	2017
Opening balance	$ 1,862,565	$ 1,460,264
Contributions during the year	869,090	678,953
Interest	40,879	24,317
Capital expenditures	(371,921)	(300,969)
Closing balance	$ 2,400,613	$ 1,862,565

4. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Building	$ 27,309,469	$ -	$ -	$ 27,309,469
Building improvements	9,685,622	37,451	-	9,723,073
Equipment	1,590,406	82,335	-	1,672,741
Furniture	1,099,222	-	-	1,099,222
Infrastructure	657,620	75,002	-	732,622
Vehicles	41,217	-	-	41,217
Work in progress	-	177,133	-	177,133
	$ 40,383,556	$ 371,921	$ -	$ 40,755,477

4. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2017	Disposals	Amortization expense	Balance at December 31, 2018
Building	$ 16,453,419	$ -	$ 692,393	$ 17,145,812
Building improvements	2,952,482	-	432,663	3,385,145
Equipment	1,381,079	-	82,803	1,463,882
Furniture	549,199	-	70,440	619,639
Infrastructure	637,386	-	15,439	652,825
Vehicles	34,217	-	-	34,217
	$ 22,007,782	$ -	$ 1,293,738	$ 23,301,520

	Net book value December 31, 2017	Net book value December 31, 2018
Building	$ 10,856,050	$ 10,163,657
Building improvements	6,733,140	6,337,928
Equipment	209,327	208,859
Furniture	550,023	479,583
Infrastructure	20,234	79,797
Vehicles	7,000	7,000
Work in progress	-	177,133
	$ 18,375,774	$ 17,453,957

Ownership of capital assets is vested with the City of London. The London Convention Centre Corporation operates the facilities on behalf of the City of London. The fixed assets and the related amortization have been included in the financial statements of The London Convention Centre Corporation in order to reflect the assets over which it has stewardship.

5. Pension agreement:

The London Convention Centre Corporation contributes to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2018 was $218,204 (2017 - $217,900) for current service.

6. Long-term debt:

The note payable to the City of London, a related party, bears interest at a fixed rate of 2.3% per annum. The note is unsecured and due in blended annual payments of $222,204 maturing August 1, 2026. Interest expense relating to the note was $39,388 in the current year (2017 - $43,385).

7. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserves funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	$ 17,453,957	$ 18,375,774
Unfunded:		
Payable to The City of London used to finance tangible capital assets	(1,606,910)	(1,787,991)
Reserves:		
Special projects	289,662	346,154
Operating	500,000	500,000
	789,662	846,154
Other	(949,826)	(746,922)
	$ 15,686,883	$ 16,687,015

8. Income from operations:

In order to assess the operations of The London Convention Centre Corporation, management removes the impact of capital items from the operating results included in the statement of operations. Accordingly, management defines income from operations as follows:

	2018	2017
Annual deficit	$ (1,000,132)	$ (1,091,358)
Project loss funded through special projects reserve	56,492	-
Add back:		
Amortization	1,293,738	1,331,377
City appropriation	869,090	678,953
Interest on long-term debt	39,388	43,385
	2,202,216	2,053,715
Deduct:		
City capital funding	(1,025,906)	(880,935)
	$ 232,670	$ 81,422

In the current year, income from operations was designated to be transferred to the capital reserve. This designation has been reflected as an offset to the balance receivable from The City of London as at December 31, 2018.

9. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

	Budget amount
Revenues:	
Operating budget	$ 7,398,565
Cost of goods sold:	
Operating budget	1,134,874
Expenses:	
Operating budget	4,993,513
Annual surplus, as budgeted	5,761
City capital appropriation	636,420
Capital reserve drawdown	1,128,000
Amortization of tangible capital assets	(1,293,738)
City appropriation	(636,420)
Annual deficit, revised	$ (159,977)

10. Comparative information:

Certain 2017 comparative information have been reclassified to conform with the financial presentation adopted per the current year.

Combined Financial Statements of

LONDON DOWNTOWN BUSINESS ASSOCIATION

Year ended December 31, 2018

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London Downtown Business Association

Opinion

We have audited the combined financial statements of London Downtown Business Association (the "Entity"), which comprise:

- the combined statement of financial position as at December 31, 2018
- the combined statement of operations for the year then ended
- the combined statement of change in net financial assets for the year then ended
- the combined statement of cash flows for the year then ended
- and notes to the combined financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the combined financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 18, 2019

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Financial Position

December 31, 2018, with comparative information for 2017

	LDBA 2018	Main Street 2018	Total 2018	Total 2017
Financial assets				
Cash and cash equivalents	$ 352,811	$ 462,095	$ 814,906	$ 774,293
Accounts receivable	75,907	29,741	105,648	97,972
Tenant improvement loans (note 3)	-	38,825	38,825	60,096
	428,718	530,661	959,379	932,361
Financial liabilities				
Accounts payable and accrued liabilities	60,700	-	60,700	153,251
Funds on deposit	-	134,379	134,379	117,004
	60,700	134,379	195,079	270,255
Net financial assets	368,018	396,282	764,300	662,106
Non-financial assets				
Tangible capital assets (note 2)	68,238	-	68,238	76,824
Commitments (note 5)				
Accumulated surplus (note 4)	$ 436,256	$ 396,282	$ 832,538	$ 738,930

See accompanying notes to combined financial statements.

On behalf of the Board:

______________________ Director ______________________ Director

LONDON DOWNTOWN BUSINESS ASSOCIATION

Combined Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	LDBA 2018	Main Street 2018	Total 2018	Total 2017
Revenue:					
Municipal levy from the City of London	$ 1,805,390	$ 2,300,082	$ 37,812	$ 2,337,894	$ 1,750,164
Main Street London funding	-	(440,500)	440,500	-	-
Interest income	1,100	2,950	2,023	4,973	3,289
Miscellaneous income	-	4,480	-	4,480	109,083
Total revenue	1,806,490	1,867,012	480,335	2,347,347	1,862,536
Expenses:					
Business development	252,190	680,413	-	680,413	505,936
Member services	445,000	480,602	48,164	528,766	456,278
Salaries and wages	528,560	435,910	92,651	528,561	510,189
Programs	308,750	-	289,477	289,477	70,524
Administration	146,990	103,220	4,956	108,176	110,827
Rent	78,000	69,194	-	69,194	67,150
Amortization	-	22,019	-	22,019	42,677
Business retention	47,000	-	13,349	13,349	10,687
Bad debts	-	-	13,784	13,784	-
Total expenses	1,806,490	1,791,358	462,381	2,253,739	1,774,268
Annual surplus	-	75,654	17,954	93,608	88,268
Accumulated surplus, beginning of year	738,930	360,602	378,328	738,930	650,662
Accumulated surplus, end of year	$ 738,930	$ 436,256	$ 396,282	$ 832,538	$ 738,930

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION
Combined Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	Budget	LDBA 2018	Main Street 2018	Total 2018	Total 2017
Annual surplus	$ -	$ 75,654	$ 17,954	$ 93,608	$ 88,268
Acquisition of tangible capital assets		(13,433)	-	(13,433)	-
Amortization of tangible capital assets	-	22,019	-	22,019	42,677
Change in net financial assets	-	84,240	17,954	102,194	130,945
Net financial assets, beginning of year	662,106	283,778	378,328	662,106	531,161
Net financial assets, end of year	$ 662,106	$ 368,018	$ 396,282	$ 764,300	$ 662,106

See accompanying notes to combined financial statements.

LONDON DOWNTOWN BUSINESS ASSOCIATION
Combined Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 93,608	$ 88,268
Item not involving cash:		
Amortization	22,019	42,677
Changes in non-cash operating working capital:		
Accounts receivable	(7,676)	(3,520)
Tenant improvement loans	21,271	(13,925)
Accounts payable and accrued liabilities	(92,551)	(54,462)
	36,671	59,038
Financing activities:		
Funds on deposit	17,375	18,038
Capital activities:		
Acquisitions of tangible capital assets	(13,433)	-
Increase in cash and cash equivalents	40,613	77,076
Cash and cash equivalents, beginning of year	774,293	697,217
Cash and cash equivalents, end of year	$ 814,906	$ 774,293
Supplemental cash flow information:		
Cash	$ 755,108	$ 715,316
Cash equivalents	59,798	58,977
	$ 814,906	$ 774,293

See accompanying notes to combined financial statements.

1. Significant accounting policies:

The combined financial statements of the London Downtown Business Association (the "Association") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Handbook - Accounting.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Cash equivalents:

Cash equivalents consist of guaranteed investment certificates due on demand.

(c) Investments:

Investments consist of guaranteed investment certificates. Interest income is recognized as it is earned.

(d) Government transfers:

Government transfer payments from the City of London are recognized in the combined financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Deferred revenue:

Funds received for expenses of future periods are deferred and recognized as income when the costs for which the revenue is received are incurred.

1. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Furniture	5 years
Metal trees	10 years
Computer equipment	4 years
Solar chargers	3 years
Leasehold improvements	10 years

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Such estimates include valuation of accounts receivable, tenant improvement loans and other long-lived assets. Actual results could differ from those estimates.

(h) Budget amounts:

Budget figures have been provided for comparison purposes.

1. Significant accounting policies (continued):

(i) Adoption of new accounting policies:

(i) Related Party Disclosures

The Association adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Association adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions

The Association adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount

The Association adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Furniture	$ 43,050	$ -	$ -	$ 43,050
Metal trees	227,198	-	-	227,198
Computer equipment	29,426	13,433	-	42,859
Solar chargers	27,027	-	-	27,027
Leasehold improvements	124,272	-	-	124,272
Total	$ 450,973	$ 13,433	$ -	$ 464,406

Accumulated amortization	Balance at December 31, 2017	Disposals	Amortization expense	Balance at December 31, 2018
Furniture	$ 37,977	$ -	$ 2,442	$ 40,419
Metal trees	224,729	-	2,469	227,198
Computer equipment	29,426	-	1,679	31,105
Solar chargers	24,024	-	3,003	27,027
Leasehold improvements	57,993	-	12,426	70,419
Total	$ 374,149	$ -	$ 22,019	$ 396,168

	Net book value December 31, 2017	Net book value December 31, 2018
Furniture	$ 5,073	$ 2,631
Metal trees	2,469	-
Computer equipment	-	11,754
Solar chargers	3,003	-
Leasehold improvements	66,279	53,853
	$ 76,824	$ 68,238

3. Tenant improvement loans:

As part of its mandate, the Association provides interest free tenant improvement loans to eligible downtown businesses. During the year, the Association recorded an allowance for doubtful accounts in the amount of $13,784 (2017 - nil).

4. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	$ 68,238	$ 76,824
Operating surplus	629,921	603,129
	698,159	679,953
Contingency reserve	134,379	58,977
	$ 832,538	$ 738,930

5. Commitments:

The Association is committed to payments under operating leases for furniture and equipment as follows:

2019	$ 2,100
2020	2,100
2021	2,100
2022	1,050
	$ 7,350

London
Hydro

London Hydro Inc.

Financial Statements

For the year ended December 31, 2018
with comparative amounts for 2017

London Hydro Inc.
Table of Contents to the Financial Statements
For the year ended December 31, 2018

KPMG LLP
140 Fullarton Street Suite 1400
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Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Shareholder of London Hydro Inc.

Opinion

We have audited the financial statements of London Hydro Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management's Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

KPMG

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 27, 2019

London Hydro Inc.
Statement of Financial Position
December 31, 2018, with comparative amounts at December 31, 2017
(in thousands of dollars)

	Note		2018		2017
ASSETS					
Current assets					
Cash	5	$	1,294	$	4,364
Accounts receivable	6		74,985		75,047
Materials and supplies	7		617		647
Prepaid expenses			2,667		2,461
Total current assets			79,563		82,519
Non-current assets					
Property, plant and equipment	8		306,439		286,584
Intangible assets	9		22,836		19,583
Total non-current assets			329,275		306,167
Total assets			408,838		388,686
Regulatory balances	11		17,166		5,832
Total assets and regulatory balances		$	426,004	$	394,518
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	12	$	48,209	$	48,304
Due to shareholder	21		6,451		8,724
Income tax payable			2,197		736
Current portion of long-term debt	14		1,522		2,304
Customer and other deposits			2,415		932
Deferred revenue	13		2,336		1,799
Total current liabilities			63,130		62,799
Non-current liabilities					
Long-term debt	14,24		140,000		116,522
Post-employment benefits	15		13,895		15,213
Customer and other deposits			3,509		5,896
Deferred revenue	13		27,192		21,328
Deferred tax liability	10		5,590		3,766
Unrealized loss on interest rate swap	14,24		1,228		887
Total non-current liabilities			191,414		163,612
Total liabilities			254,544		226,411
Equity					
Share capital	16		96,116		96,116
Retained earnings			72,833		64,887
Accumulated other comprehensive income (loss)			380		(1,170)
Total equity			169,329		159,833
Total liabilities and equity			423,873		386,244
Regulatory balances	11		2,131		8,274
Commitments and contingencies (Note 22), Subsequent events (Notes 25)					
Total liabilities, equity and regulatory balances		$	426,004	$	394,518

On behalf of the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

London Hydro Inc.
Statement of Comprehensive Income
For the year ended December 31, 2018, with comparative amounts for 2017
(in thousands of dollars)

	Note		2018		2017
Revenues					
Sale of energy	17	$	342,046	$	371,392
Distribution revenue	17		68,676		66,862
Other	18		13,121		10,504
			423,843		448,758
Operating expenses					
Cost of power purchased			356,921		373,466
Operating expenses	19		43,809		41,933
Depreciation and amortization	8,9		19,110		18,321
			419,840		433,720
Income from operating activities			4,003		15,038
Net finance expense (income)	20		3,811		(607)
Income before income taxes			192		15,645
Income tax expense	10		4,312		4,553
Net (loss) income for the year			(4,120)		11,092
Movement of regulatory balances					
Net movement of regulatory balances			15,563		1,719
Income taxes			1,503		1,825
	11		17,066		3,544
Net income for year and net movement in regulatory balances			12,946		14,636
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefits	15		1,550		(584)
Tax on remeasurements	10		(411)		155
Net movement in regulatory balances, net of tax	11		411		(155)
Other comprehensive income			1,550		(584)
Total comprehensive income for the year		$	14,496	$	14,052

The accompanying notes are an integral part of these financial statements.

London Hydro Inc.
Statement of Changes in Equity
For the year ended December 31, 2018, with comparative amounts for 2017
(in thousands of dollars)

	Note		Share Capital		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total
Balance at January 1, 2017		$	96,116	$	55,251	$	(586)	$	150,781
Net income and net movement in regulatory balances			-		14,636		-		14,636
Other comprehensive loss			-		-		(584)		(584)
Dividends	16		-		(5,000)		-		(5,000)
Balance at December 31, 2017		$	96,116	$	64,887	$	(1,170)	$	159,833
Balance at January 1, 2018		$	96,116	$	64,887	$	(1,170)	$	159,833
Net income and net movement in regulatory balances			-		12,946		-		12,946
Other comprehensive income			-		-		1,550		1,550
Dividends	16		-		(5,000)		-		(5,000)
Balance at December 31, 2018		$	96,116	$	72,833	$	380	$	169,329

The accompanying notes are an integral part of these financial statements.

London Hydro Inc.
Statement of Cash Flows
For the year ended December 31, 2018, with comparative amounts for 2017
(in thousands of dollars)

	Note	2018	2017
Operating activities			
Net income and net movement in regulatory balances		$ 12,946	$ 14,636
Adjustments for:			
Depreciation and amortization	8,9	19,110	18,321
Amortization of deferred revenue	18	(412)	(138)
Post-employment benefits	15	232	148
Gain on disposal of property, plant and equipment	18	(220)	(280)
Net finance expenses	20	3,811	(607)
Income tax expense	10	4,312	4,553
		39,779	36,633
Change in non-cash working capital:			
Accounts receivable		62	11,867
Materials and supplies		30	198
Prepaid expenses		(206)	(565)
Accounts payable and accrued liabilities		(95)	(7,953)
Due to shareholder		(2,273)	53
Customer deposits		(904)	792
		(3,386)	4,392
Other:			
Regulatory balances	11	(17,066)	(3,544)
Income tax paid		(1,745)	(1,410)
Income tax received		307	128
Interest paid	20	(3,650)	(3,006)
Interest received	20	180	94
		(21,974)	(7,738)
Net cash from operating activities		14,419	33,287
Investing activities			
Purchase of property, plant and equipment	8	(33,943)	(31,331)
Purchase of intangible assets	9	(8,351)	(6,846)
Proceeds on disposal of property, plant and equipment		296	146
Contributions received from customers		6,813	5,699
Net cash used in investing activities		(35,185)	(32,332)
Financing activities			
Dividends paid	16	(5,000)	(5,000)
Proceeds from long-term debt	14	55,000	10,000
Repayment of long-term debt	14	(32,304)	(2,304)
Net cash from financing activities		17,696	2,696
Change in cash		(3,070)	3,651
Cash, beginning of year		4,364	713
Cash, end of year		$ 1,294	$ 4,364

The accompanying notes are an integral part of these financial statements

1. Reporting entity

London Hydro Inc. ("the Company") is a rate regulated, municipally-owned hydro distribution company located in the City of London. The Company is a wholly-owned subsidiary company of the Corporation of the City of London and was incorporated on April 26, 2000 under the laws of the Province of Ontario, Canada.

The Company delivers electricity and related energy services to inhabitants of the City of London. The address of the Company's registered office is 111 Horton Street, London, Ontario, Canada.

2. Basis of presentation

a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

b) Approval of financial statements

These financial statements were approved by the Board of Directors on March 27, 2019.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

(i) 3(b) – measurement of unbilled revenue
(ii) 3(b) – determination of the performance obligation for contributions from customers and the related amortization period
(iii) 3(d), 3(e), 8, 9 – estimation of useful lives of its property, plant and equipment and intangible assets
(iv) 6 – estimation for allowance for doubtful accounts
(v) 8 – leases: whether an arrangement contains a lease
(vi) 11 – recognition and measurement of regulatory balances
(vii) 15 – measurement of defined benefit obligations: key actuarial assumptions
(viii) 22 – recognition and measurement of provisions and contingencies

f) Rate regulation

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company was required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC"). The debt retirement charge ended effective April 1, 2018 as set out in section 85(4) of the Electricity Act, and the Company no longer bills it to its customers.

Rate setting

Distribution revenue

For the distribution revenue, the Company files a "Cost of Service" ("COS") rate application with the OEB where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The COS is usually filed every five years. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon the review, including any resulting revisions.

2. Basis of presentation (continued)

f) Rate regulation (continued)

Rate setting - *Distribution revenue (continued)*

In the intervening years an Incentive Regulation Mechanism ("IRM") rate application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

The Company previously filed a COS application in September 2012 for rates effective May 1, 2013 to April 30, 2017. The GDP IPI-FDD for 2016 was 2.1%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.15)%, resulting in a net adjustment of 1.95% to the previous year's rates effective May 1, 2016.

In August 2016, the Company filed a COS application which has been approved by the OEB. The rates approved in the application result in a decrease for the typical residential customer of $1.40 per month compared to the previous year's rates effective May 1, 2017. The GDP IPI-FDD for 2018 was 1.2%, the OEB applied productivity factor was 0.0% and the OEB determined stretch factor was (0.15)%, resulting in a net adjustment of 1.05% to the previous year's rates effective May 1, 2018.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

Electricity rates

The OEB sets electricity prices for residential and small commercial consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers, other than consumers with retail contracts who pay a contracted rate plus a global adjustment rate adder, pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3. Significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

a) Financial instruments

Non-derivative

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(f).

Derivative

The Company holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.

Hedge accounting has not been used in the preparation of these financial statements.

b) Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes rates for electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges were recorded on a net basis as the Company is acting as an agent for this billing stream.

3. Significant accounting policies (continued)

b) Revenue recognition (continued)

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 Revenue from Contracts with Customers. Cash contributions received from developers are recorded as deferred revenue and amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 Revenue from Contracts with Customers. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

c) Materials and supplies

Materials and supplies, the majority of which are consumed by the Company in the provision of its services, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

d) Property, plant and equipment

Items of property, plant and equipment ("PP&E") used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

(in thousands of dollars)

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in the Statement of Comprehensive Income. The costs of the day-to-day servicing of PP&E are recognized in the Statement of Comprehensive Income as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is generally recognized in the Statement of Comprehensive Income. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives are as follows:

	Years
Distribution system and equipment	25 - 60
Building structures and components	12 - 75
Substation equipment	15 - 45
Metering devices	15 - 30
System supervisory equipment	8 - 35
Automotive equipment	8 - 12
Equipment, tools and furniture	5 - 8
Computer hardware	3
Renewable generation assets	20

3. Significant accounting policies (continued)

e) Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, less accumulated amortization. All other intangible assets are measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of intangible assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the lower of OEB prescribed rates and the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to complete.

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization.

Computer software that is acquired or developed by the Company after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Capital contributions represent costs incurred and associated with assets that are not owned by the Company. These contributions are incurred where the Company is charged with the responsibility of upgrading assets that the Company does not hold title to. Capital contributions include costs towards the refurbishment and upgrade of a transformer station and wholesale meters. These assets are measured at cost less accumulated amortization.

Intangible assets in progress consist of application software under development at December 31, 2018.

Amortization is recognized in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

	Years
Land rights	25
Computer software	3 - 5
Capital contributions	30 - 45

3. Significant accounting policies (continued)

f) Impairment

Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows from that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in the Statement of Comprehensive Income. An impairment loss is reversed through the Statement of Comprehensive Income if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

g) Customer and other deposits

Customer and other deposits include cash deposits from electricity distribution customers and retailers to guarantee the payment of energy bills. Interest is paid on customer deposits at the rate of prime less 2% per annum.

Deposits from electricity distribution customers are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB, or upon termination of their electricity distribution service.

3. Significant accounting policies (continued)

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

i) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or Other Comprehensive Income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in the Statement of Comprehensive Income in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in the Statement of Comprehensive Income or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in the Statement of Comprehensive Income or OCI.

3. Significant accounting policies (continued)

j) Post-employment benefits

Pension plan

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund ("the Fund"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the Statement of Comprehensive Income when they are due.

Post-employment benefits, other than pension

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in the Statement of Comprehensive Income.

3. Significant accounting policies (continued)

k) Finance income and finance expenses

Finance income is recognized as it accrues in the Statement of Comprehensive Income. Finance income comprises interest earned on cash.

Finance expenses comprise interest expense on borrowings and customer deposits. Finance expenses are recognized in the Statement of Comprehensive Income unless they are capitalized as part of the cost of qualifying assets.

l) Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PILs") are referred to as income taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets and liabilities are recognized for unused tax losses, unused tax credits and temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

3. Significant accounting policies (continued)

m) Change in accounting policies

The Company has adopted the following amendments to standards, with a date of initial application of January 1, 2018:

i. IFRS 15 Revenue from Contracts with Customers

ii. IFRS 9 Financial Instruments

iii. Annual Improvements to IFRS (2014-2016) cycle

i. IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective at the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

The new standard did not result in a material impact on the financial statements.

3. Significant accounting policies (continued)

m) Change in accounting policies (continued)

ii. IFRS 9 Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 standard. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The new standard did not result in a material impact on the financial statements.

iii. Annual Improvements to IFRS (2014-2016) cycle

On December 8, 2016 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Clarification that IFRS 12 Disclosures of Interests in Other Entities also applies to interests that are classified as held for sale, held for distribution, or discontinued operations became effective retrospectively for annual periods beginning on or after January 1, 2017. The remaining two amendments relate to IFRS 1 and IAS 28.

- Removal of out-dated exemptions for first time adopters under IFRS 1 First-time Adoption of International Financial Reporting Standards, effective for annual periods beginning on or after January 1, 2018; and

- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 Investments in Associates and Joint Ventures for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by-investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

These amendments did not result in a material impact on the financial statements.

4. Standards issued not yet adopted

There are new standards, amendments to standards and interpretations which have not been applied in preparing these financial statements. These standards or amendments relate to the measurement and disclosure of financial assets and liabilities. The extent of the impact on adoption of these standards and amendments has not yet been determined.

i. IFRS 16 Leases
ii. Annual Improvements to IFRS (2015-2017) cycle

i. IFRS 16 Leases

In January 2016, IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation, and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The Corporation does not expect the standard to have a material impact on the financial statements.

ii. Annual Improvements to IFRS (2015-2017) cycle

On December 12, 2017 the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019. Each of the amendments has its own specific transition requirements. The amendments were made to the following standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI, or equity; and
- IAS 23 Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed. They also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

(in thousands of dollars)

5. Cash

		2018		2017
Bank balances	$	1,294	$	4,364

6. Accounts receivable

		2018		2017
Trade receivables	$	32,929	$	33,256
Unbilled revenue		38,237		38,031
Other		6,159		6,476
Allowance for doubtful accounts		(2,340)		(2,716)
	$	74,985	$	75,047

Included in accounts receivable is approximately $8.5 million (2017 - $9.0 million) of customer receivables for water consumption that the Company bills and collects on behalf of the Corporation of the City of London. As the Company does not assume liability for collection of these amounts, any amount relating to water consumption that is determined to be uncollectible is charged to the Corporation of the City of London.

Also, included in the accounts receivable is $2.8 million (2017 - $1.4 million) of energy, water, and sundry receivables due from the Corporation of the City of London.

7. Materials and supplies

Amounts written down due to obsolescence during the year ended December 31, 2018 was $0.1 million (2017 - $0.1 million).

(in thousands of dollars)

8. Property, plant and equipment

a) Cost or deemed cost:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2017	$ 15,019	$ 9,916	$ 245,386	$ 21,569	$ 10,632	302,522
Additions	1,131	176	23,619	3,398	3,007	31,331
Disposals / retirements	(102)	-	(658)	(597)	-	(1,357)
Balance at December 31, 2017	$ 16,048	$ 10,092	$ 268,347	$ 24,370	$ 13,639	$ 332,496
Balance at January 1, 2018	$ 16,048	$ 10,092	$ 268,347	$ 24,370	$ 13,639	$ 332,496
Additions	1,279	91	30,609	2,321	(357)	33,943
Disposals / retirements	(30)	-	(933)	(1,196)	-	(2,159)
Balance at December 31, 2018	$ 17,297	$ 10,183	$ 298,023	$ 25,495	$ 13,282	$ 364,280

b) Accumulated depreciation:

	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
Balance at January 1, 2017	$ 2,035	$ 836	$ 25,333	$ 5,616	$ -	$ 33,820
Depreciation	775	289	9,746	2,631	-	13,441
Disposals / retirements	(102)	-	(650)	(597)	-	(1,349)
Balance at December 31, 2017	$ 2,708	$ 1,125	$ 34,429	$ 7,650	$ -	$ 45,912
Balance at January 1, 2018	$ 2,708	$ 1,125	$ 34,429	$ 7,650	$ -	$ 45,912
Depreciation	777	293	10,274	2,668	-	14,012
Disposals / retirements	(30)	-	(870)	(1,183)	-	(2,083)
Balance at December 31, 2018	$ 3,455	$ 1,418	$ 43,833	$ 9,135	$ -	$ 57,841

c) Carrying amounts:

Balance at	Land and buildings	Distribution substation equipment	Other distribution equipment	Other fixed assets	Construction in progress	Total
December 31, 2017	$ 13,340	$ 8,967	$ 233,918	$ 16,720	$ 13,639	$ 286,584
December 31, 2018	$ 13,842	$ 8,765	$ 254,190	$ 16,360	$ 13,282	$ 306,439

(in thousands of dollars)

9. Intangible assets

a) Cost or deemed cost:

	Land rights	Capital Contributions	Computer software	Intangible work in progress	Total
Balance at January 1, 2017	$ 247	$ 1,085	$ 22,501	$ 3,722	$ 27,555
Additions	30	-	4,168	2,648	6,846
Disposals / retirements	-	-	(4,338)	-	(4,338)
Balance at December 31, 2017	$ 277	$ 1,085	$ 22,331	$ 6,370	$ 30,063
Balance at January 1, 2018	$ 277	$ 1,085	$ 22,331	$ 6,370	$ 30,063
Additions	81	7,258	6,464	(5,452)	8,351
Disposals / retirements	-	-	(5,227)	-	(5,227)
Balance at December 31, 2018	$ 358	$ 8,343	$ 23,568	$ 918	$ 33,187

b) Accumulated amortization:

	Land rights	Capital Contributions	Computer software	Intangible work in progress	Total
Balance at January 1, 2017	$ 54	$ 129	$ 9,755	$ -	$ 9,938
Amortization	20	43	4,817	-	4,880
Disposals / retirements	-	-	(4,338)	-	(4,338)
Balance at December 31, 2017	$ 74	$ 172	$ 10,234	$ -	$ 10,480
Balance at January 1, 2018	$ 74	$ 172	$ 10,234	$ -	$ 10,480
Amortization	22	49	5,027	-	5,098
Disposals / retirements	-	-	(5,227)	-	(5,227)
Balance at December 31, 2018	$ 96	$ 221	$ 10,034	$ -	$ 10,351

c) Carrying amounts:

Balance at	Land rights	Capital Contributions	Computer software	Intangible work in progress	Total
December 31, 2017	$ 203	$ 913	$ 12,097	$ 6,370	$ 19,583
December 31, 2018	$ 262	$ 8,122	$ 13,534	$ 918	$ 22,836

During the year ended December 31, 2018, borrowing costs of $0.2 million (2017 - $0.1 million) were capitalized as part of the cost of intangible assets. A capitalization rate of 2.89% (2017 – 2.62%) was used to determine the amount of borrowing costs to be capitalized.

(in thousands of dollars)

10. Income tax expense

Income tax expense is comprised of:

		2018		2017
Current income tax				
Current year	$	2,886	$	2,115
Amendment for prior period income tax credits		(408)		(307)
Adjustment for prior period income tax expense		421		(13)
		2,899		1,795
Deferred tax				
Change in recognized deductible temporary differences:				
(Loss) gain on interest rate swap		(90)		933
Property, plant, equipment and intangible assets		1,671		2,016
Post-employment benefits		(61)		(39)
Deferred revenue		(107)		(152)
		1,413		2,758
Total current and deferred income tax in profit and loss, before movement of regulatory balance		4,312		4,553
Other comprehensive income				
Post-employment benefits		411		(155)
Total current and deferred income tax, before movement of regulatory bala		4,723		4,398
Net movement in regulatory balances		(1,914)		(1,670)
Income tax expense recognized in Statement of Comprehensive Income	$	2,809	$	2,728

Reconciliation of effective tax rate:

		2018		2017
Income before taxes	$	17,305		16,780
Canada and Ontario statutory income tax rates		26.5%		26.5%
Expected tax provision on income at statutory rates		4,586		4,447
Increase (decrease) in income taxes resulting from:				
Net movement in regulatory balances		(1,914)		(1,670)
Other items		137		(49)
	$	2,809	$	2,728

Significant components of the Company's deferred tax balances:

		2018		2017
Property, plant, equipment and intangible assets	$	(10,028)	$	(8,357)
Post-employment benefits		3,681		4,031
Deferred revenue		432		325
Future income taxes to be realized by customers		(5,915)		(4,001)
Loss on interest rate swap		325		235
	$	(5,590)	$	(3,766)

(in thousands of dollars)

11. Regulatory balances

Reconciliation of the carrying amount for each class of regulatory balances:

Regulatory assets:

Regulatory deferral account debit balances	January 1, 2017	Changes	Recovery/ reversal	December 31, 2017	Remaining years
IFRS-CGAAP transitional PP&E recoveries	$ 39	$ -	$ (39)	$ -	
Regulatory settlement account	1,979	99	(2,078)	-	
Other regulatory accounts	2,201	(370)	-	1,831	
Income tax	2,331	1,670	-	4,001	
	$ 6,550	$ 1,399	$ (2,117)	$ 5,832	

Regulatory deferral account debit balances	January 1, 2018	Changes	Recovery/ reversal	December 31, 2018	Remaining years
Group 1 deferred accounts	$ -	$ 8,002	$ -	$ 8,002	
Other regulatory accounts	1,831	1,418	-	3,249	3.3
Income tax	4,001	1,914	-	5,915	
	$ 5,832	$ 11,334	$ -	$ 17,166	

Regulatory liabilities:

Regulatory deferral account credit balances	January 1, 2017	Changes	Recovery/ reversal	December 31, 2017	Remaining years
Group 1 deferred accounts	$ (12,218)	$ 7,001	$ -	$ (5,217)	
Regulatory settlement account	-	(7,085)	4,028	(3,057)	0.3
Other regulatory accounts	(163)	163	-	-	
	$ (12,381)	$ 79	$ 4,028	$ (8,274)	

Regulatory deferral account credit balances	January 1, 2018	Changes	Recovery/ reversal	December 31, 2018	Remaining years
Group 1 deferred accounts	$ (5,217)	$ 5,217	$ -	$ -	
Regulatory settlement account	(3,057)	(3,927)	5,265	(1,719)	0.3
Other regulatory accounts	-	159	(571)	(412)	
	$ (8,274)	$ 1,449	$ 4,694	$ (2,131)	

The regulatory balances are recovered or settled through fixed and/or volumetric rate riders approved by the OEB. The volumetric rate riders are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances. Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. The rate was set at 1.50% in the first quarter, at 1.89% in the second and third quarters and 2.17% in the fourth quarter of 2018.

11. Regulatory balances (continued)

a) Group 1 deferral accounts

The Group 1 deferral accounts consist of purchased power cost variances including the Smart Metering Entity Charge Variances. As a regulated distributor of electricity, the Company is obligated to provide energy supply to all consumers at regulated or spot rates unless they elect to purchase their energy from an energy retailer. The regulatory framework requires that all energy commodity and non-commodity costs be billed at regulated rates to consumers who are on the Regulated Price Plan.

Variances between purchase costs and amounts billed for electricity are required to be captured in the Retail Settlement Variance Accounts ("RSVA") for disposition through future rate riders. The variance accounts have been further defined by the regulator into commodity and non-commodity accounts. Those accounts defined as commodity accounts are eligible for regulatory review on a quarterly basis. All other accounts are defined as non-commodity and are currently eligible for review on an annual basis.

These variances were credit balances in 2016 and 2017. On August 26, 2016, the Company filed its 2017 COS rate application, in which it proposed the disposition of Group 1 account balances as at December 31, 2015 via rate riders. The OEB issued its decision with respect to this Application which authorizes the refund/recovery of these balances over a one-year period commencing May 1, 2017.

b) IFRS-CGAAP transitional PP&E recoveries

Compliant with OEB directives of the Accounting Procedures Handbook, the Company must use this account to record differences arising as a result of accounting policy changes caused by the transition from previous Canadian GAAP to Modified International Financial Reporting Standards ("MIFRS").

During 2012, the Company filed its 2013 Cost of Service Rate Application ("Application") which included a request for OEB approval for the recovery of certain authorized regulatory deferral accounts including these IFRS-CGAAP transitional PP&E differences. The OEB issued its decision with respect to this Application which authorizes amortization of the balance into rate base and revenue requirement amounts. Therefore, the approved distribution rates during the four year period commencing May 1, 2013, included the recovery of these IFRS-CGAAP transitional PP&E account differences.

11. Regulatory balances (continued)

c) Regulatory settlement account

During 2016, the Company filed its 2017 COS rate application which included a request for OEB approval for the disposition of the RSVA account balances. These accounts included amounts accumulated between January 1, 2015 and December 31, 2015. The request for disposition also included other regulatory account balances such as Retail Cost Variance balances, the remaining IFRS transition expenditures, amounts resulting from the implementation of the Harmonized Sales Tax, the residual balance of Stranded Meter costs, LRAMVA balances and the recovery of Climate Change program costs as at December 31, 2015 with carrying charges. The OEB authorized the refund/recovery of these balances over a one-year period commencing May 1, 2017.

During 2017, the Company filed its 2018 IRM rate application in which it proposed the disposition of the Group 1 account balances as at December 31, 2016 via rate riders. These accounts included amounts accumulated between January 1, 2016 and December 31, 2016. The OEB authorized the refund/recovery of these balances over a one-year period commencing May 1, 2018.

d) Other regulatory accounts

Other regulatory account debit balances include various deferred costs in connection with LRAMVA, OEB Cost Assessment Variance non-cash OPEB adjustment and Retail Cost Variances.

Other regulatory account credit balances include advanced funding for capital projects. The Company filed its 2017 COS rate application in 2016 which included a request for funding capital projects under the Advanced Capital Module and received an approval. During 2017, the Company filed its 2018 IRM rate application, which included a request for the recovery of such costs via rate riders. The OEB authorized the recovery of these costs via rate riders until the effective date of the next cost of service-based rate order.

e) Income tax

As a result, the Company has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

(in thousands of dollars)

12. Accounts payable and accrued liabilities

		2018		2017
Due to Independent Electricity System Operator	$	33,694	$	34,839
Debt retirement charge payable		-		988
Harmonized sales tax		118		350
Payroll and benefits payable		3,060		2,979
Other		11,337		9,148
	$	48,209	$	48,304

13. Deferred revenue

		2018		2017
Capital contributions for completed projects	$	18,010	$	13,627
Deposits held		11,518		9,500
		29,528		23,127
Less: Current portion		2,336		1,799
	$	27,192	$	21,328

Capital contributions for completed projects are recognized as revenue on a straight-line basis over the life of the asset for which the contribution was received.

Included in deposits held is $3.7 million (2017 - $3.7 million) received from the Corporation of the City of London as contributions for the construction of capital assets.

(in thousands of dollars)

14. Long-term debt

		2018		2017
Unsecured, committed extendible revolving loan bearing interest at prime, minus 0.5%, interest only payments due March 2021	$	15,000	$	30,000
Unsecured, non-revolving term instalment loan bearing interest at the 4.4 year Bankers' Acceptance rate of 2.7% plus a stamping fee of 0.28%, interest only payments due June 2022		40,000		-
Unsecured, non-revolving term instalment loan bearing interest at the 7.6 year Bankers' Acceptance rate of 2.46% plus a stamping fee of 0.19%, interest only payments due June 2022		85,000		85,000
Unsecured, non-revolving term instalment loan bearing interest at the 7.8 year Bankers' Acceptance rate of 2.43% plus a stamping fee of 0.9%, payable in monthly instalments of $192 principal plus interest due August 2019		1,522		3,826
		141,522		118,826
Less: Current portion		1,522		2,304
	$	140,000	$	116,522

The unsecured, committed extendible revolving loan in the amount of $30.0 million outstanding at December 31, 2017 was subsequently repaid with additional borrowing in the amount of $40.0 million obtained February 1, 2018. The additional borrowing is with the Royal Bank of Canada and under an interest rate swap agreement for an unsecured loan. Interest only payments are due quarterly and commenced March 2018. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.7%, plus a stamping fee of 0.28%, for an all-in rate of 2.98%.

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the amount of $85 million. Interest only payments are due quarterly and commenced December 2014. The principal is due at maturity. The agreement is a fixed rate swap and matures June 2022, which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.46%, plus a stamping fee of 0.19%, for an all-in rate of 2.65%.

The Company has an interest rate swap agreement with the Royal Bank of Canada for an unsecured loan in the original amount of $20.5 million to fund its Smart Meter capital expenditure program. Principal repayments on this loan commenced October 2010 and are being amortized over a 9 year period ending August 2019. The agreement is a fixed rate swap and matures August 2019 which effectively converts variable interest rates on unsecured Bankers' Acceptances to an effective interest rate of 2.43%, plus a stamping fee of 0.9%, for an all-in rate of 3.33%.

(in thousands of dollars)

14. Long-term debt (continued)

The swap agreements entered into with Royal Bank of Canada do not meet the standard to apply hedge accounting. Accordingly, the interest rate swap contracts are recorded at their fair value at the end of the period with the unrealized gain or loss recorded in the Statements of Comprehensive Income as finance expenses. The unrealized loss for the year ended December 31, 2018 was $0.3 million (2017 – unrealized gain $3.5 million).

At December 31, 2018, the Company would be required to pay $1.2 million (2017 - $0.9 million) if it wished to cancel the swap agreements.

During the year ended December 31, 2018, interest on long-term debt was incurred in the amounted of $3.6 million (2017 - $3.0 million) of which $0.2 million (2017 – $0.1 million) was capitalized as part of the cost of intangible assets.

Reconciliation of opening and closing balances for liabilities from financing activities:

		2018		2017
Balance, beginning of year	$	118,826	$	111,130
Add: Advances		55,000		10,000
Less: Repayments		32,304		2,304
		141,522		118,826
Less: Current portion		1,522		2,304
	$	140,000	$	116,522

15. Post-employment benefits

a) OMERS pension plan

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. During the year ended December 31, 2018, the Company made employer contributions of $3.0 million to OMERS (2017 - $2.9 million), of which $0.7 million (2017 - $0.9 million) has been capitalized as part of PP&E and the remaining amount of $2.3 million (2017 - $2.0 million) has been recognized in the Statement of Comprehensive Income. The Corporation estimates that a contribution of $3.4 million to OMERS will be made during the next fiscal year.

As at December 31, 2018, OMERS had approximately 496,000 members, of whom 317 are employees of the Company. The most recently available OMERS annual report is for the year ended December 31, 2018, which reported that the plan was 96% funded, with an unfunded liability of $4.2 billion. This unfunded liability is likely to result in future payments by participating employers and members.

(in thousands of dollars)

15. Post-employment benefits (continued)

b) Post-employment benefits other than pension

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. The Company recognizes these post-employment benefits in the year in which employees' services were rendered. The Company is recovering its post-employment benefits in rates based on the expense and remeasurements recognized for post-employment benefit plans. Based on the most recent actuarial valuation as at December 31, 2018, the following information has been determined:

Reconciliation of the obligation:

	2018	2017
Defined benefit obligation, beginning of year	$ 15,213	$ 14,481
Included in profit or loss:		
Current service costs	462	432
Interest cost	497	539
Other benefits	(13)	(101)
	946	870
Benefits paid	(714)	(722)
	232	148
Actuarial (gains) / losses included in OCI:		
Changes in demographic assumptions	-	(902)
Changes in financial assumptions	(1,465)	1,193
Effect of experience adjustments	(85)	293
	(1,550)	584
Defined benefit obligation, end of year	$ 13,895	$ 15,213

Actuarial assumptions:

	2018	2017
Discount (interest) rate	3.9%	3.4%
Salary levels	4.0%	4.0%
Immediate medical costs	5.4%	5.7%
Ultimate medical costs	4.0%	4.5%
Dental cost rate	4.5%	4.5%
Year ultimate rate reached	2040	2037

A 1% increase in the assumed discount rate would result in the defined benefit obligation decreasing by $1.7 million. A 1% decrease in the assumed discount rate would result in the defined benefits obligation increasing by $1.8 million.

(in thousands of dollars)

16. Share capital

		2018		2017
Authorized:				
An unlimited number of common shares				
An unlimited number of non-voting, non-cumulative preference shares, redeemable at the paid-up amount				
Issued:				
1,001 common shares	$	96,116	$	96,116

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time. On March 22, 2018 the Board of Directors declared a $5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2018. On March 30, 2017 the Board of Directors declared a $5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2017.

17. Revenue from contracts with customers

The Company generates revenue primarily from electricity rates and the distribution of electricity to its customers. These revenues disaggregated by type of customer are illustrated below:

Electricity rates:

		2018		2017
Residential	$	112,145	$	120,565
Commercial		218,668		236,752
Large Users		8,714		10,889
Other		2,519		3,186
	$	342,046	$	371,392

Distribution revenue:

		2018		2017
Residential	$	43,601	$	41,996
Commercial		23,101		22,773
Large Users		651		724
Other		1,323		1,369
	$	68,676	$	66,862

(in thousands of dollars)

18. Other revenue

		2018		2017
City of London services	$	4,009	$	4,009
IESO Conservation recoveries and incentives		1,966		-
Late payment charges		1,561		1,543
Other services, recoveries and sundry revenues		1,421		1,056
Customer billing service fees		717		647
Occupancy charges		608		649
Sale of scrap		552		488
Pole and other rental income		501		417
Income tax incentive credits		496		493
Amortization of deferred revenue		412		280
Collection charges		346		443
Renewable generation revenue		312		341
Gain on disposal of property, plant and equipment		220		138
	$	13,121	$	10,504

19. Operating expenses

		2018		2017
Labour and benefits	$	26,719	$	25,886
Professional services		5,867		5,359
Computer hardware and software		2,540		2,261
Rental, regulatory and other expenses		2,343		1,970
Facilities maintenance and repair		1,534		1,602
Postage		1,262		1,259
Corporate training and employee expenses		1,201		1,182
Property tax and insurance		1,195		1,182
Fleet operations and maintenance		1,028		872
Materials and supplies		972		1,001
Bad debts		703		840
Office equipment services and maintenance		492		463
Allocations to capital and billable activities		(2,047)		(1,944)
	$	43,809	$	41,933

(in thousands of dollars)

20. Finance (income) and expenses

		2018		2017
Finance income				
Interest income on bank deposits	$	(180)	$	(94)
Finance expenses				
Interest on long-term debt		3,591		2,985
Interest on short-term debt		58		49
Interest on funds used for construction project		(188)		(126)
Other		189		98
		3,650		3,006
Change in interest rate swap				
Unrealized loss (gain) on interest rate swap		341		(3,519)
Net finance expense	$	3,811	$	(607)

21. Due to shareholder

Trade balances due to shareholder:

		2018		2017
Water consumption	$	5,604	$	8,688
Non-interest bearing trade balance due to shareholder, without stated repayment terms		847		36
	$	6,451	$	8,724

The Company delivers electricity to the City of London throughout the year for the electricity needs of the City of London and its related organizations. Electricity delivery charges are at prices and under terms approved by the OEB. The Company also provides additional services to the City of London, including water and waste water billing, customer care services and water meter replacement administrative services.

During the year ended December 31, 2018, the Company billed customers for water related service on behalf of the shareholder and remitted funds to the shareholder in the amount of $174.2 million (2017 – $163.9 million). The shareholder paid $3.9 million (2017 - $3.9 million) for this service.

During the year ended December 31, 2018, the Company performed water meter replacement administrative services on behalf of the shareholder. The shareholder paid $0.1 million (2017 – $0.1 million) for this service.

(in thousands of dollars)

22. Commitments and contingencies

General

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the outcome of any of these matters could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

General Liability Insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2018, no assessments have been made.

Letters of credit

At December 31, 2018, the Company had provided $6.6 million (2017 – $6.6 million) in bank standby letters of credit to the IESO.

Vendor commitments

The Company has commitments in connection with Infrastructure projects of $0.5 million (2017 – $21.3 million), new vehicle acquisitions of $0.2 (2017 - nil) and Information Systems projects of nil (2017 - $1.9 million).

Operating leases

The Company is committed to lease agreements for various vehicles, equipment and property rights. The future minimum non-cancellable annual lease payments are as follows:

		2018		**2017**
Less than one year	$	421	$	303
Between one and five years		609		710
More than five years		74		113
	$	**1,104**	**$**	**1,126**

Operating lease expense incurred during the year ended December 31, 2018 was of $0.4 million (2017 - $0.3 million).

23. Joint venture agreement

On January 1, 2013, The Company entered into an agreement with London District Renewable Energy Co-Operative Inc. ("LDREC") to create a joint venture with the legal name "London Renewable Energy Initiative" for the intention of identifying, applying for and constructing solar projects that have been approved under the Feed-in Tariff ("FIT") government program. The Company has a 49% equity interest in LDREC while appointing 60% of the members of the Executive Committee resulting in controlling interest. To date no significant work has been completed and no amounts have been recorded in these financial statements in connection with this venture.

24. Financial instruments and risk management

Fair value disclosure

The carrying values of cash, accounts receivable, due to shareholder and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long-term debt at December 31, 2018 is $124 million (2017 - $88 million). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2018 was 3.34% (2017 – 2.65%). The fair value of interest rate swaps is recorded based on valuation amounts as provided by RBC Capital Markets on a quarterly basis.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

a) Credit risk

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company primarily assesses credit risk exposure by customer segment. Concentrations of consumption by segment or individual customer, may impact risk due to varying energy consumption patterns and allowable security deposit requirements associated with each segment. The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. No single customer accounts for revenue in excess of 10% of total revenue.

24. Financial instruments and risk management (continued)

a) Credit risk (continued)

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Statement of Comprehensive Income as bad debt expense. Subsequent recoveries of receivables previously provisioned are credited to the Statement of Comprehensive Income. The balance of the allowance for impairment loss at December 31, 2018 is $2.3 million (2017 - $2.7 million). During the year ended December 31, 2018, bad debt expense was $0.7 million (2017 - $0.8 million).

At December 31, 2018, approximately $0.8 million (2017 - $0.8 million) is included in the allowance for doubtful accounts for uncollectible amounts relating to water consumption. No bad debt expense has been realized in the Statement of Comprehensive Income in connection with water consumption as these amounts are fully recovered from the City of London.

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2018, approximately $2.0 million (2017 - $2.8 million) is considered 60 days past due. The Company has approximately 159 thousand customers, the majority of whom are residential.

By regulation, the Company is responsible for collecting both the distribution and energy portions of the electricity bill. On average, the Company earns 23% of amounts billed to customers with the remaining 77% being collected for other parties. The Company is therefore exposed to a credit risk substantially greater than the income that it regularly earns.

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. At December 31, 2018, the Company held deposits in the amount of $5.9 million (2017 - $6.8 million). Additionally, if presented with substantial credit losses, the Company would make an application to the regulator for recovery of those losses through distribution rate adjustments in future years.

b) Market risk

Market risks primarily refer to the risk of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have significant commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2018 would have increased interest expense on the long-term debt by $0.2 million (2017 - $0.3 million), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

24. Financial instruments and risk management (continued)

c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. The majority of accounts payable, as reported on the Statement of Financial Position, are due within 30 days.

The Company has an uncommitted operating revolving line of credit facility of $40.0 million with the Toronto Dominion Bank. At December 31, 2018 the amount drawn by the Company under this line of credit was nil (2017 - nil). The line of credit is unsecured and interest is at bank prime rate on prime based borrowings minus 0.5%, or at Bankers' Acceptances ("B/A") rates plus a 0.75% stamping fee on B/A based borrowings.

At December 31, 2018 the Company had a committed 364 day extendable operating revolving loan facility of $30.0 million with the Toronto Dominion Bank and the amount drawn by the Company under this loan facility was $15.0 million (2017 - $30.0 million). Under the terms of this agreement, the loan has a maturity date of March 31, 2021. The Company has a one year period from the loan maturity date to repay any outstanding balances in the event the lender elects not to extend the loan for an additional 364 day period. Interest is at bank prime rate on prime based borrowings minus 0.5%, or at B/A rates plus a 0.75% stamping fee on B/A based borrowings.

The Company also has a bilateral facility for $6.6 million for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which nil has been drawn and posted with the IESO (2017 - nil).

(in thousands of dollars)

24. Financial instruments and risk management (continued)

d) Capital disclosures

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt.

		2018		2017
Long-term debt	$	141,522	$	118,826
Shareholder's equity		169,329		159,833
	$	310,851	$	278,659

25. Subsequent event

On March 27, 2019, the Board of Directors declared a $5.0 million dividend payable to the sole shareholder, the Corporation of the City of London, in quarterly installments in 2019.

Financial Statements of

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Year ended December 31, 2018

KPMG LLP
140 Fullarton Street Suite 1400
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Canada
Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of London & Middlesex Community Housing Inc.

Opinion

We have audited the financial statements of London & Middlesex Community Housing Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 30, 2019

LONDON & MIDDLESEX COMMUNITY HOUSING INC.
Statement of Financial Position

As at December 31, 2018, with comparative information for 2017

		2018		2017
Financial Assets:				
Cash	$	1,520,921	$	1,501,897
Accounts receivable (note 3)		914,739		1,280,317
Due from The Corporation of the City of London		740,062		1,279,156
		3,175,722		4,061,370
Financial Liabilities:				
Accounts payable and accrued liabilities		2,962,605		3,851,506
Tenant advances		649,246		623,337
Unearned miscellaneous revenue		67,672		57,975
		3,679,523		4,532,818
Net debt		(503,801)		(471,448)
Non-Financial Assets:				
Tangible capital assets (note 7)		54,281,872		51,957,297
Prepaid expenses		503,801		471,448
		54,785,673		52,428,745
Commitments (note 5)				
Accumulated surplus (note 9)	$	54,281,872	$	51,957,297

See accompanying notes to financial statements

On behalf of the Board:

_______________________ Director _______________________

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenue:			
Rental revenue	$ 11,411,078	$ 11,460,132	$ 11,122,354
Rental subsidy	10,202,215	10,202,215	9,758,730
The Corporation of the City of London:			
Funding adjustment		35,284	(4,506)
Capital funding	-	3,904,191	2,610,289
Energy savings project rebates	-	-	74,100
Other	259,474	292,406	354,605
	21,872,767	25,894,228	23,915,572
Expenses:			
Salaries, wages and employee benefits	5,108,262	5,239,281	4,790,722
Maintenance, materials and services:			
Building, general	3,529,214	3,554,708	3,506,268
Grounds	888,195	1,048,150	846,330
Painting	321,017	288,203	320,347
Other	267,957	145,870	152,119
	5,006,383	5,036,931	4,825,064
Utilities:			
Electricity	1,901,232	1,927,787	1,984,966
Water	1,129,273	1,147,591	1,116,774
Natural gas	926,139	884,663	929,885
	3,956,644	3,960,041	4,031,625
Amortization	-	1,680,278	1,529,531
Property :			
Insurance	614,652	598,618	630,535
Municipal taxes	5,457,422	5,396,636	5,289,982
Mortgage payments	46,871	46,871	46,871
	6,118,945	6,042,125	5,967,388
Administration	1,682,533	1,610,997	1,685,153
Total expenses	21,872,767	23,569,653	22,829,483
Annual surplus	-	2,324,575	1,086,089
Accumulated surplus, beginning of year	51,957,297	51,957,297	50,871,208
Accumulated surplus, end of year	$ 51,957,297	$ 54,281,872	$ 51,957,297

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.

Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus	$ -	$ 2,324,575	$ 1,086,089
Acquisition of tangible capital assets	-	(4,047,920)	(2,615,620)
Disposal of tangible capital assets net of accumulated amortization	-	43,067	
Amortization of tangible capital assets	-	1,680,278	1,529,531
		(2,324,575)	(1,086,089)
Acquisition of prepaid expenses	-	(6,832,743)	(6,600,274)
Use of prepaid expenses	-	6,800,389	6,581,068
Change in net debt	-	(32,353)	(19,206)
Net debt, beginning of year	(471,448)	(471,448)	(452,242)
Net debt, end of year	$ (471,448)	$ (503,801)	$ (471,448)

See accompanying notes to financial statements

LONDON & MIDDLESEX COMMUNITY HOUSING INC.
Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 2,324,575	$ 1,086,089
Items not involving cash:		
Amortization	1,680,278	1,529,531
Loss on disposal of tangible capital assets	43,067	
Changes in non-cash items:		
Accounts receivable	365,578	(453,635)
Prepaid expenses	(32,353)	(19,206)
Due from The Corporation of the City of London	539,094	(429,727)
Accounts payable and accrued liabilities	(888,901)	1,184,200
Tenant advances	25,909	114,410
Unearned miscellaneous revenue	9,697	(4,943)
	4,066,944	3,006,719
Capital activities:		
Acquisition of tangible capital assets	(4,047,920)	(2,615,620)
Net increase in cash	19,024	391,099
Cash, beginning of year	1,501,897	1,110,798
Cash, end of year	$ 1,520,921	$ 1,501,897

See accompanying notes to financial statements

1. Incorporation:

London & Middlesex Community Housing Inc. (formerly London & Middlesex Housing Corporation) (the “Corporation”) operates housing accommodation primarily for persons of low and moderate income. The Corporation operates 3,282 units throughout The City of London and the County of Middlesex and is 100% owned by The City of London.

2. Significant accounting policies:

The financial statements of the Corporation are prepared by management in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Corporation are as follows:

(a) Tangible Capital Assets:

i) Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	**Useful Life-Years**
Site improvements	25 - 30
Buildings and improvements	25 - 40
Technology and communications	3
Vehicles	10
Furniture and fixtures	10
Machinery and equipment	25
Appliances	10

One half-year’s amortization is charged in the year of acquisition.

ii) Contributions of Capital Assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

(b) Revenue recognition:

Rental revenue is recognized at the time the service is provided. Other revenues are recognized when the services are

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying value of tangible capital assets and the valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Significant accounting policies (continued):

(d) Budget data:

Budget Figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(e) Pension contributions:

The Corporation has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Corporation's costs are the contributions due to the plan in the

(f) Contaminated sites:

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic or radioactive material or live organisms that exceeds the environmental standard. This standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted

(g) Adoption of new accounting policies:

(i) Related party disclosures:

The Corporation adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Corporation adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity transactions:

The Corporation adopted Public Sector Accounting Board Standards PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability are nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

3. Accounts receivable:

Accounts receivable recorded on the statement of financial position are composed of the following:

		2018		2017
Rent	$	784,566	$	1,347,589
Allowance for doubtful accounts		(417,084)		(945,401)
Harmonized Sales Tax		261,841		477,735
Sundry		285,416		400,394
	$	914,739	$	1,280,317

4. Income Producing properties:

The income producing properties held by London & Middlesex Housing Authority and passed through to the Corporation were originally financed by the Province of Ontario through general obligation provincial debentures. At the time of the transfer of ownership the Province did not transfer the responsibility for repayment of these debentures. Accordingly, the value of the provincial debentures associated with them have not been recorded on the Corporation's financial statements.

5. Commitments:

(a) Debt service payment:

The Corporation is responsible for the debt service payments on one of its properties located on Bella Street in Strathroy, Ontario. These payments of both principal and interest are made directly to the mortgagee and are expensed when incurred. A total of $46,871 was expensed and paid in 2018 (2017 - $46,871). The Ontario government is considered to be the holder of this debt, thus no provision has been made in the Corporation's financial statements for the mortgage.

(b) Contractual Obligations:

The Corporation is committed to the following minimum annual operating lease payments for premises and equipment

2019	$	332,952
2020		334,223
2021		137,090

6. Pension Agreement:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. 2018 contribution rates are 9.0% for employee earnings below the year's maximum pensionable earnings and 14.6% thereafter. Employee contributions match these rates.

Contributions to OMERS by the Corporation are recognized as an expense in the period they are incurred. A total of $343,064 was incurred as pension expense in 2018 (2017 - $312,640).

7. Tangible capital assets:

Cost		Balance at December 31, 2017		2018 Additions		2018 Disposals		Balance at December 31, 2018
Land	$	24,605,751	$	-	$	-	$	24,605,751
Site improvements		3,496,415		41,626		104,677		3,433,364
Buildings and improvements		84,424,782		3,568,872		-		87,993,654
Technology and communications		628,470		223,918		22,688		829,700
Vehicles		48,297		-		-		48,297
Furniture and fixtures		233,981		2,543		6,507		230,017
Machinery and equipment		3,397,879		87,667		-		3,485,546
Appliances		1,873,289		123,294		-		1,996,583
TOTAL	**$**	**118,708,864**	**$**	**4,047,920**	**$**	**133,872**	**$**	**122,622,912**

Accumulated Amortization		Balance at December 31, 2017		2018 Disposals		2018 Amortization		Balance at December 31, 2018
Land	$	-	$	-	$	-	$	-
Site improvements		1,731,188		61,610		76,104		1,745,682
Buildings and improvements		61,333,939		-		1,331,988		62,665,927
Technology and communications		548,853		22,688		85,519		611,684
Vehicles		26,565		-		4,830		31,395
Furniture and fixtures		80,748		6,507		24,324		98,565
Machinery and equipment		1,464,613		-		106,637		1,571,250
Appliances		1,565,661		-		50,876		1,616,537
TOTAL	**$**	**66,751,567**	**$**	**90,805**	**$**	**1,680,278**	**$**	**68,341,040**

		Net Book Value At December 31, 2017		Net Book Value At December 31, 2018
Land	$	24,605,751	$	24,605,751
Site improvements		1,765,227		1,687,682
Buildings and improvements		23,090,843		25,327,727
Technology and communications		79,617		218,016
Vehicles		21,732		16,902
Furniture and fixtures		153,233		131,452
Machinery and equipment		1,933,266		1,914,296
Appliances		307,628		380,046
TOTAL	**$**	**51,957,297**	**$**	**54,281,872**

8. Capital allotment:

An approved capital allotment is managed by the City of London to finance future capital expenditures. The allotment has not been recognized in these financial statements and will be accounted for as the funds are received and expensed.

		2018
Opening balance	$	1,735,040
Contributions during the year		2,708,000
Capital expenditures		(1,463,458)
	$	2,979,582

9. Accumulated Surplus:

Accumulated surplus consists of surplus funds as follows:

		2018		2017
Surplus:				
Invested in tangible capital assets	$	54,281,872	$	51,957,297

Financial Statements of

THE LONDON PUBLIC LIBRARY BOARD

Year Ended December 31, 2018

KPMG LLP
140 Fullarton Street Suite 1400
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Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To The London Public Library Board

Opinion

We have audited the financial statements of The London Public Library Board (the Board), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2018, and its results of operations, its change in financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 25, 2019

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	$ 982,374	$ 1,740,166
Acounts receivable		
The Corporation of the City of London	488,377	2,924,888
London Public Library Board Trust Funds	557,303	-
Other	173,977	151,105
	2,202,031	4,816,159
Financial liabilities:		
Accounts payable and accrued liabilities	1,693,114	1,601,528
Deferred revenue	73,176	155,729
Payable to The Corporation of the City of London	19,334	20,273
Payable to London Public Library Board Trust Funds	-	40,379
Accrued interest on long-term debt	52,203	-
Long-term debt (note 2)	1,917,507	-
Employee future benefits and other liabilities (note 3)	2,531,018	2,700,600
	6,286,352	4,518,509
Net financial assets (debt)	(4,084,321)	297,650
Non-financial assets:		
Tangible capital assets (note 7)	27,537,184	23,396,144
Prepaid expenses	300,784	149,159
	27,837,968	23,545,303
Commitments (note 5)		
Accumulated surplus (note 8)	**$ 23,753,647**	**$ 23,842,953**

The accompanying notes are an integral part of these financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018 (note 9)	**2018**	**2017**
Revenue:			
User charges			
Fines	$ 243,712	$ 243,031	$ 286,720
Fee, rental, sundry	492,967	525,815	481,202
Grants			
Federal	-	98,494	76,210
Ontario	598,829	598,829	653,910
The Corporation of the City of London			
Current	20,263,640	20,263,640	19,835,207
Capital	1,246,441	1,246,441	1,078,873
Other	-	12,471	14,449
Investment income	19,000	53,905	19,811
Contribution from reserves	36,301	-	-
Contribution from Trust Funds (note 4)	-	704,103	864,278
Total revenues	22,900,890	23,746,729	23,310,660
Expenses:			
Personnel	14,921,115	14,664,123	14,185,659
Amortization of tangible capital assets	-	3,501,969	3,279,580
Facility services	1,863,059	1,916,858	1,750,359
Utilities	975,000	883,716	930,293
Collections and lending services	2,311,200	905,930	900,781
Purchased services	599,584	662,935	616,552
Major repairs and maintenance (capital)	1,246,441	405,067	531,272
Technology	669,362	257,164	506,520
Trust fund expenditures (note 4)	-	322,934	445,336
Administrative	105,509	139,414	101,924
Contribution to self-insurance reserve	87,680	87,680	75,384
Program services	50,940	69,030	70,504
Equipment	65,000	13,276	9,292
General	6,000	5,939	6,855
Total expenses	22,900,890	23,836,035	23,410,311
Gain on disposal of tangible capital assets	-	-	1,070,702
Annual surplus (deficit)	-	(89,306)	971,051
Accumulated surplus, beginning of year	23,842,953	23,842,953	22,871,902
Accumulated surplus, end of year	**$ 23,842,953**	**$ 23,753,647**	**$ 23,842,953**

The accompanying notes are an integral part of these financial statements.

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Debt

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018 (note 9)	2018	2017
Annual surplus (deficit)	-	$ (89,306)	$ 971,051
Acquisition of tangible capital assets	(1,246,441)	(7,643,009)	(2,533,583)
Amortization of tangible capital assets	-	3,501,969	3,279,580
Proceeds on disposal of tangible capital assets	-	-	2,638,980
Gain on disposal of tangible capital assets	-	-	(1,070,702)
	(1,246,441)	(4,230,346)	3,285,326
Change in prepaid expenses	-	(151,625)	152,490
Increase (decrease) in net financial assets (debt)	(1,246,441)	(4,381,971)	3,437,816
Net financial assets (debt), beginning of year	297,650	297,650	(3,140,166)
Net financial assets (debt), end of year	$ (948,791)	$ (4,084,321)	$ 297,650

The accompanying notes are an integral part of these financial statements.

THE LONDON PUBLIC LIBRARY BOARD
Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	$ (89,306)	$ 971,051
Items not involving cash:		
Amortization of tangible capital assets	3,501,969	3,279,580
Change in employee future benefits and other liabilities	(169,582)	(490,796)
Gain on disposal of tangible capital assets	-	(1,070,702)
Change in non-cash assets and liabilities:		
Receivable from The City of London	2,436,511	(2,235,080)
Receivable from London Public Library Board Trust Funds	(557,303)	(78,932)
Accounts receivable	(22,872)	167,100
Accounts payable and accrued liabilities	91,586	(249,573)
Payable to The City of London	(939)	13,642
Payable to London Public Library Board Trust Funds	(40,379)	40,379
Deferred revenue	(82,553)	70,016
Accrued interest on long-term debt	52,203	-
Prepaid expenses	(151,625)	152,490
	4,967,710	569,175
Capital activities:		
Proceeds on disposal of tangible capital assets	-	2,638,980
Cash used to acquire tangible capital assets	(7,643,009)	(2,533,583)
	(7,643,009)	105,397
Financing Activities:		
Long-term debt issued	1,917,507	-
	1,917,507	-
Increase (decrease) in cash	(757,792)	674,572
Cash, beginning of year	1,740,166	1,065,594
Cash, end of year	**$ 982,374**	**$ 1,740,166**

The accompanying notes are an integral part of these financial statements.

1. Significant accounting policies:

The financial statements of The London Public Library Board (the "Board"), a registered charity and a local board of the Corporation of the City of London (the "City"), are prepared in accordance with Canadian generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Municipal funding:

The City provides funding to the Board for both operating and capital expenditures such as refurbishment, replacement and major repairs and maintenance to the Library buildings. Government transfer payments from the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Deferred revenue:

Deferred revenues represent grants and other designated funding which has been received but for which the service has yet to be performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned.

(e) Employee future benefits:

The Board provides certain employee benefits which will require funding in future periods. These benefits include life insurance, extended health and dental benefits for early retirees.

The costs of life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long term inflation rates and discount rates.

1. Significant accounting policies (continued):

(f) Pension contributions:

The Board has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Board's costs are the contributions due to the plan in the period.

(g) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings	15 - 60 years
Leasehold improvements	40 years
Shelving	40 years
Furniture and equipment	7 years
Collections	7 years
Computers	3 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iii) Leased tangible capital assets:

Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

1. Significant accounting policies (continued):

(h) Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in preparing actuarial valuations for employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from those estimates.

(j) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(k) Adoption of new accounting policies:

(i) Related party disclosures:

The Board adopted Public Sector Accounting Board Standard PS 2200 *Related Party Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Board adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

1. Significant accounting policies (continued):

(ii) Inter-entity transactions:

The Board adopted Public Sector Accounting Board Standards PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Board adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Long-term debt:

a) Long-term debt is as follows:

	2018	2017
Long-term debt issued by The Corporation of the City of London at an interest rate of 3.258%, with a maturity date of March 2028.	$ 1,917,507	$ -
	$ 1,917,507	$ -

b) Total charges which are included in the statement of operations as follows:

	2018	2017
Interest on long-term debt	$ 52,203	$ -
	$ 52,203	$ -

3. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

		2018		2017
Liability for vested sick leave benefits	$	114,202	$	144,549
Vacation pay liability		357,816		491,051
Employee future benefits obligation		2,059,000		2,065,000
	$	2,531,018	$	2,700,600

(a) Liability for vested sick leave benefits:

Under the sick leave benefit plan, employees hired prior to May 1, 1985 can accumulate unused sick leave and may become entitled to a cash payment when they leave the employment of the Board.

The liability of these accumulated days, to the extent that they have vested and could be taken in cash by an employee upon ceasing employment with the Board as at December 31, 2018, amounts to $114,202 (2017 - $144,549). This amount is fully funded by a reserve held by The City of London in the amount of $131,912 (2017 - $157,727).

(b) Retiree benefits:

The Board provides certain post-employment and post-retirement employee benefits which will require funding in future periods.

The Board pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2018.

3. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

		2018		2017
Accrued employee future benefit obligation:				
Balance, beginning of year	$	1,435,000	$	1,392,000
Current period benefit cost		73,000		71,000
Interest		48,000		46,000
Benefits paid		(85,000)		(74,000)
Actuarial (gain) loss		(37,000)		-
Balance, end of year		1,434,000		1,435,000
Unamortized actuarial gain		625,000		630,000
Employee future benefits obligation	$	2,059,000	$	2,065,000

Post-employment and post-retirement benefit expenses included in total expenditures consist of the following:

		2018		2017
Current year benefit cost	$	73,000	$	71,000
Interest on accrued benefit obligation		48,000		46,000
Amortization of net actuarial gain		42,000		42,000
Total payments made during the year	$	163,000	$	159,000

Significant assumptions used in the actuarial valuation are as follows:

Discount rate	3.25%
Rate of compensation increase	2.00%
Healthcare cost increases	4.00%

The actuarial gain is amortized over the expected average remaining service life of the related employee group of thirteen years.

4. Trust funds:

Trust funds administered by the Board amounting to $3,858,821 (2017 - $3,379,747) have not been included in the statement of financial position nor have their operations been included in the statement of operations. They are reported separately on The London Public Library Board Trust Fund Financial Statements ("Trust Funds").

During the year, the Trust Funds transferred $704,103 (2017 - $864,278) to the Board for capital and operating expenses. This amount and the related expenditures have been included in the statement of operations.

5. Commitments:

The Board is committed under operating leases for the rental of premises and equipment. The minimum annual payments under these leases are as follows:

2019	$	614,399
2020		290,539
2021		209,933
	$	1,114,871

6. Pension agreement:

The Board has a pension agreement with OMERS, which is a multi-employer plan, on behalf of its full and part-time staff. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2018 is $1,018,122 (2017 - $1,018,213) for current service and is included as an expenditure in the statement of operations.

7. Tangible capital assets:

Cost		Balance at December 31, 2017		Additions		Disposals		Balance at December 31, 2018
Land	$	3,904,165	$	-	$	-	$	3,904,165
Buildings		38,104,745		768,483		-		38,873,228
Leasehold improvements		349,083		4,576,813		-		4,925,896
Collections		9,621,399		1,325,936		1,570,375		9,376,960
Shelving		1,342,850		10,150		5,087		1,347,913
Computers		740,521		587,452		168,257		1,159,716
Furniture and equipment		848,746		374,175		78,492		1,144,429
Total	$	54,911,509	$	7,643,009	$	1,822,211	$	60,732,307

Accumulated amortization		Balance at December 31, 2017		Additions		Disposals		Balance at December 31, 2018
Land	$	-	$	-	$	-	$	-
Buildings		25,024,113		1,436,397		-		26,460,510
Leasehold improvements		317,940		74,197		-		392,137
Collections		4,936,546		1,469,195		1,570,375		4,835,366
Shelving		721,791		33,571		5,087		750,275
Computers		248,895		348,989		168,257		429,627
Furniture and equipment		266,080		139,620		78,492		327,208
Total	$	31,515,365	$	3,501,969	$	1,822,211	$	33,195,123

		Net book value December 31, 2017		Net book value December 31, 2018
Land	$	3,904,165	$	3,904,165
Buildings		13,080,632		12,412,718
Leasehold improvements		31,143		4,533,759
Collections		4,684,853		4,541,594
Shelving		621,059		597,637
Computers		491,626		730,089
Furniture and equipment		582,666		817,222
Total	$	23,396,144	$	27,537,184

8. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	$ 27,537,184	$ 23,396,144
Unfunded:		
Employee benefits, accrued sick and vacation	(472,018)	(635,600)
Employee benefits, future benefit liability	(2,059,000)	(2,065,000)
Net long-term debt	(1,917,507)	-
Total surplus	23,088,659	20,695,544
Reserves set aside by the Board:		
Stabilization fund	422,608	297,982
Collections encumbrance fund	110,469	52,720
Total reserves	533,076	350,702
Reserve held by the City on behalf of the Board:		
Sick leave reserve	131,912	157,727
Facilities reserve	-	2,638,980
	$ 23,753,647	$ 23,842,953

9. Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

	Budget amount
Revenues:	
Operating budget	$ 21,654,449
Expenses:	
Operating budget	21,654,449
Annual surplus, as per approved budget	$ -
Capital funding from The City of London	$ 1,246,441
Major repairs and maintenance	(1,246,441)
Annual surplus, revised	$ -

10. Comparative information

Certain comparative information has been reclassified to conform with the financial presentation adopted in the current year.

Financial Statements of

LONDON TRANSIT COMMISSION

And Independent Auditors’ Report thereon

Year ended December 31, 2018

KPMG LLP
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London ON N6A 5P2
Canada
Tel 519 672-4800
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INDEPENDENT AUDITORS' REPORT

To the Commissioners, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of London

Opinion

We have audited the accompanying financial statements of the London Transit Commission ("the Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 29, 2019

LONDON TRANSIT COMMISSION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents	$ 23,801,178	$ 30,543,394
Investments	12,806,655	11,912,292
Accounts receivable	4,838,786	5,908,019
Due from The City of London	526,129	431,154
	41,972,748	48,794,859
Financial Liabilities		
Accounts payable and accrued liabilities	10,154,843	10,753,030
Due to The City of London	24,784	128,712
Accrued liability insurance claims (note 7)	2,316,305	2,413,646
Employee future benefits (note 6)	4,412,000	3,978,000
Deferred fare media	4,549,677	4,088,635
Deferred revenue (note 10)	16,947,157	22,538,650
	38,404,766	43,900,673
Net financial assets	3,567,982	4,894,186
Non - Financial Assets		
Inventories (note 2)	2,276,955	2,237,572
Tangible capital assets (note 9)	100,330,370	98,243,186
Prepaid expenses	902,621	948,823
	103,509,946	101,429,581
Commitments (note 8)		
Accumulated surplus (note 3)	$ 107,077,928	$ 106,323,767

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenue:			
Grants:			
The City of London (note 4)	$ 37,480,200	$ 37,567,077	$ 40,156,975
Province of Ontario (note 4)	15,372,300	15,590,125	15,707,974
Government of Canada (note 4)	-	3,696,878	5,033,446
	52,852,500	56,854,080	60,898,395
User charges, conventional transit:			
Cash fares	3,823,700	3,580,159	3,671,615
Ticket fares	10,087,000	9,627,074	9,614,287
Pass fares	18,600,700	19,290,210	18,014,822
Contract service	-	2,556	1,973
Other transportation revenue	1,863,300	128,466	431,711
	34,374,700	32,628,465	31,734,408
Other revenue, conventional transit:			
Advertising	608,200	605,759	595,255
Interest and discounts	670,000	821,395	708,852
Rent	2,500	2,513	2,676
Gain on disposal of capital assets	48,000	29,819	94,930
Miscellaneous	55,000	25,065	20,521
	1,383,700	1,484,551	1,422,234
User charges, specialized transit:			
Cash fares	19,300	19,607	13,452
Ticket fares	420,800	339,445	329,427
Pass fares	204,800	198,759	193,772
	644,900	557,811	536,651
Total revenue	$ 89,255,800	$ 91,524,907	$ 94,591,688

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Expenses:			
Salaries, wages and benefits:			
Transportation	$ 35,708,834	$ 36,300,852	$ 33,668,268
Vehicle maintenance	8,914,374	9,070,149	8,490,540
Facility	485,003	437,791	481,790
Planning, marketing and general administration	3,479,289	3,529,582	3,237,130
	48,587,500	49,338,374	45,877,728
Materials, supplies, utilities and services:			
Transportation	2,593,500	2,677,135	2,560,463
Vehicle maintenance	5,833,900	5,585,738	5,780,794
Facility	3,261,500	2,949,588	2,863,096
Planning, marketing and general administration	1,537,500	1,539,972	1,509,299
Fuel	7,089,100	7,428,781	6,141,449
Amortization	-	12,746,775	12,130,730
	20,315,500	32,927,989	30,985,831
Current operations, specialized transit:			
Administration:			
Salaries and benefits	924,600	1,023,482	948,032
Materials and supplies	134,700	249,191	136,646
	1,059,300	1,272,673	1,084,678
Contracted service delivery	6,903,900	7,231,710	5,749,974
	7,963,200	8,504,383	6,834,652
Total expenses	76,866,200	90,770,746	83,698,211
Annual surplus (note 11)	12,389,600	754,161	10,893,477
Accumulated surplus, beginning of year	106,323,767	106,323,767	95,430,290
Accumulated surplus, end of year	$ 118,713,367	$ 107,077,928	$ 106,323,767

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	$ 754,161	$ 10,893,477
Acquisition of tangible capital assets	(14,833,959)	(23,782,153)
Amortization of tangible capital assets	12,746,775	12,130,730
Gain on disposal of tangible capital assets	(29,819)	(94,930)
Proceeds on sale of tangible capital assets	29,819	94,930
	(1,333,023)	(757,946)
Inventories	(39,383)	(111,365)
Prepaid expenses	46,202	(183,558)
	6,819	(294,923)
Change in net financial assets	(1,326,204)	(1,052,869)
Net financial assets, beginning of year	4,894,186	5,947,055
Net financial assets, end of year	$ 3,567,982	$ 4,894,186

See accompanying notes to financial statements.

LONDON TRANSIT COMMISSION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 754,161	$ 10,893,477
Items not involving cash:		
Amortization	12,746,775	12,130,730
Gain on disposal of tangible capital assets	(29,819)	(94,930)
Change in employee future benefit liability	434,000	24,000
Changes in non-cash assets and liabilities:		
Accounts receivable	1,069,233	(5,281,402)
Due from The City of London	(94,975)	(26,190)
Inventories	(39,383)	(111,365)
Prepaid expenses	46,202	(183,558)
Investments	(894,363)	8,090,454
Accounts payable and accrued liabilities	(598,187)	844,912
Due to The City of London	(103,928)	35,788
Accrued liability insurance claims	(97,341)	130,273
Deferred fare media	461,042	(147,981)
Deferred revenue	(5,591,493)	(6,351,082)
Net change in cash from operating activities	8,061,924	19,953,126
Capital activities:		
Proceeds on sale of tangible capital assets	29,819	94,930
Cash used to acquire tangible capital assets	(14,833,959)	(23,782,153)
Net change in cash from capital activities	(14,804,140)	(23,687,223)
Net change in cash and cash equivalents	(6,742,216)	(3,734,097)
Cash and cash equivalents, beginning of year	30,543,394	34,277,491
Cash and cash equivalents, end of year	$ 23,801,178	$ 30,543,394
Cash	$ 10,130,566	$ 7,747,626
Cash equivalents	13,670,612	22,795,768
Cash and cash equivalents, end of year	$ 23,801,178	$ 30,543,394

See accompanying notes to financial statements.

1. Significant accounting policies:

The financial statements of the London Transit Commission (the "Commission"), a local commission of the Corporation of the City of London (the "City of London"), are the representation of management prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

The Commission follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measureable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

The balances reported for cash and cash equivalents in these financial statements include both funds for current purposes and balances held for reserve funds.

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at time of purchase of three months or less.

(c) Deferred fare media and revenue:

The Commission receives contributions pursuant to legislation, regulations or agreement that may only be used for certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or the services performed.

Government transfer payments from the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If the funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as deferred revenue at year end.

(d) Post-employment benefits liability:

The Commission provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, dental, life insurance, compensated absences, and workers' compensation benefits. The Commission has adopted the following policies with respect to accounting for

(i) The cost of employee future benefit plans are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long-term inflation rates and discount rates.

(ii) The cost of multi-employer defined benefit pension plan, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions to the plan in the period. OMERS provides benefits for employees of Ontario municipalities, local boards, public utilities and school boards. As this is a multi employer plan, no liability is recorded on the Commission's books.

1. Significant accounting policies (continued):

(e) **Tangible capital assets:**

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life - years
Site work	25
Buildings	10 - 60
Shelters, pads, and terminals	10
Rolling stock	12
Fare and data collection equipment	15
Radio/communication equipment	15
Bike racks on buses	5
Service fleet	3
Shop equipment	5
Small tools	3
Computer hardware	3
Computer software	3

Tangible capital assets which are under construction are not amortized until the tangible capital assets are ready for productive use.

(f) **Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(g) **Adoption of new accounting policies:**

(i) Related Party Disclosures

The Commission adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Commission adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions

The Commission adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Commission adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Inventories:

	2018	2017
Spare parts	$ 2,276,955	$ 2,237,572

3. Accumulated surplus:

Accumulated surplus consists of individual fund surpluses, reserves and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	$ 100,330,370	$ 98,243,186
To be recovered from public liability insurance reserve fund	(2,316,305)	(2,413,646)
Unfunded:		
Employee future benefits liability	(4,412,000)	(3,978,000)
Vacation pay earned and accrued payroll	(2,809,799)	(2,717,998)
Total surplus	90,792,266	89,133,542
Reserves set aside for specific purposes of the Commission (note 10):		
Energy management reserve	3,203,250	3,203,250
General operating reserve	3,399,865	3,444,665
Health care management reserve	2,363,180	2,594,716
Total reserves	8,966,295	9,242,631
Reserve funds set aside for specific purposes by the Commission (note 10):		
Capital program reserve fund	4,307,742	4,548,809
Public liability insurance reserve fund	3,011,625	3,398,785
Total reserve funds	7,319,367	7,947,594
	$ 107,077,928	$ 106,323,767

4. Grants:

(a) The City of London:

Grants from The City of London for current and capital operations for conventional transit and specialized transit are as follows:

	2018	2017
Operating grants:		
Specialized transit	$ 5,212,800	$ 5,061,700
Conventional transit	26,034,775	24,737,575
	31,247,575	29,799,275
Capital grants:		
Capital levy and debentures	6,319,502	10,357,700
Total grants received from The City of London	$ 37,567,077	$ 40,156,975

In addition, The City of London sponsors certain groups using both conventional and specialized public transit. These groups receive reduced fares or free fares. The Commission receives grants, on behalf of the respective groups, as fare offsets and are shown as such on the Statement of Operations as part of the ticket and pass fares. Particulars of the grants are as follows:

	2018	2017
Equalization grant, seniors (reduced fares)	$ -	$ 376,048
Equalization grant, income related (reduced fares)	413,511	-
Equalization grant, youth (reduced fares)	63,758	-
Free transportation, blind	160,303	164,871
Free transportation, children	422,802	-
	$ 1,060,374	$ 540,919

(b) Province of Ontario:

Provincial grants recognized as revenue during the year ended December 31, for capital and operating programs are as follows:

	2018	2017
Capital grants:		
Gas tax program	$ 3,893,071	$ 7,135,751
Operating grants:		
Gas tax program	11,697,054	8,572,223
	$ 15,590,125	$ 15,707,974

4. Grants (continued):

(c) Government of Canada:

		2018		2017
Capital grants:				
Public Transit Infrastucture Funding	$	3,696,878	$	5,033,446
Total Government of Canada grants	$	3,696,878	$	5,033,446

5. Pension agreement:

Effective February 1, 1989, the London Transit Commission commenced participation in the Ontario Municipal Employees Retirement System (OMERS) which is a multi employer plan, for all active employees at that date as well as for all new employees. As of December 31, 2018 there were 552 (2017 - 540) active employees. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on their length of service and rates of pay. Changes by OMERS to the plan, since February 1, 1989, apply to service after February 1, 1989. For pre-February 1, 1989 service, the Commission provides pension benefits, as determined by the pension plan document.

Employer contributions to OMERS for 2018 were $3,043,547 (2017 - $2,842,229).

The London Transit Commission continues to sponsor a pre-February 1, 1989, contributory defined benefit pension plan for employees on long term disability at February 1, 1989 that are not likely to return to active employment.

6. Employee future benefits:

The Commission provides benefits to retirees until they reach sixty-five years of age and provides certain benefits to employees on long-term disability. The employee future benefit liability has been estimated based on an actuarial valuation which was completed at December 31, 2018.

	2018	2017
Employee future benefits liability as of December 31	$ 4,412,000	$ 3,978,000

Retirement and other future benefit expenses included in total expenditures consist of the following:

	2018	2017
Current year benefit cost	$ 233,000	$ 224,000
Interest on accrued benefit obligation	103,000	100,000
Amortized gain	346,000	(80,000)
Benefits paid	(248,000)	(220,000)
	$ 434,000	$ 24,000

Significant assumptions are as follows:

	2018	2017
Discount rate	3.25%	3.25%
Rate of compensation increase	2.00%	1.90%
Healthcare cost current	5.84%	5.83%
Healthcare cost ultimate	4.00%	4.50%

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7. Public liability insurance:

At December 31, 2018, there were 155 liability claims and 3 accident benefits claims outstanding that may result in payment under the insurance deductible provisions. The estimated cost to the Commission is $2,294,805 and $21,500 (2017 - $2,249,111 and $164,535) respectively for a total of $2,316,305 (2017 - $2,413,646) to be funded from the public liability reserve fund.

8. Commitments:

(a) Lease obligation:

The Commission rents a portion of a property located at 150 Dundas Street for an information office and sales outlet. The lease expires August 31, 2019. The annual base lease amount is $19,808 plus an approximate additional amount of $8,848 for taxes and common area maintenance. Lease payments until the expiry of the lease total $19,104.

(b) Bus procurement:

The Commission has approved the awarding of contracts with New Flyer Industries for the purchase of nine buses ($5.1 million). It is anticipated that these buses will arrive from August to December 2019.

9. Tangible capital assets:

The historical cost, accumulated amortization and net book value of tangible capital assets employed by the Commission at December 31 is as follows:

Cost	Balance December 31, 2017	Additions	Disposals	Balance December 31, 2018
Land	$ 2,804,632	$ -	$ -	$ 2,804,632
Site work	2,973,024	-	-	2,973,024
Buildings	45,370,812	640,899	(59,152)	45,952,559
Shelters, pads, and terminals	2,274,310	1,300,285	(230,070)	3,344,525
Rolling stock	113,693,383	11,909,426	(6,799,165)	118,803,644
Fare and data collection equipment	6,331,166	153,487	-	6,484,653
Radio/communication equipment	8,964,254	301,895	-	9,266,149
Bike racks on buses	158,878	-	-	158,878
Service fleet	351,497	33,971	(3,478)	381,990
Shop equipment	3,652,354	27,986	(168,000)	3,512,340
Small tools	229,079	103,930	(51,843)	281,166
Computer hardware	669,507	294,177	-	963,684
Computer software	1,859,368	67,903	-	1,927,271
	$ 189,332,264	$ 14,833,959	$ (7,311,708)	$ 196,854,515

Accumulated amortization	Balance December 31, 2017	Disposals	Amortization	Balance December 31, 2018
Land	$ -	$ -	$ -	$ -
Site work	1,225,507	-	118,921	1,344,428
Buildings	15,352,270	(59,152)	1,480,945	16,774,063
Shelters, pads, and terminals	1,016,706	(230,070)	296,660	1,083,296
Rolling stock	60,362,115	(6,799,165)	8,938,423	62,501,373
Fare and data collection equipment	2,708,698	-	424,318	3,133,016
Radio/communication equipment	5,123,053	-	617,743	5,740,796
Bike racks on buses	158,878	-	-	158,878
Service fleet	302,015	(3,478)	48,367	346,904
Shop equipment	2,963,333	(168,000)	212,744	3,008,077
Small tools	131,899	(51,843)	93,722	173,778
Computer hardware	600,246	-	142,412	742,658
Computer software	1,144,358	-	372,520	1,516,878
	$ 91,089,078	$ (7,311,708)	$ 12,746,775	$ 96,524,145

Net book value	Balance December 31, 2017	Balance December 31, 2018
Land	$ 2,804,632	$ 2,804,632
Site work	1,747,517	1,628,596
Buildings	30,018,542	29,178,496
Shelters, pads, and terminals	1,257,604	2,261,229
Rolling stock	53,331,268	56,302,271
Fare and data collection equipment	3,622,468	3,351,637
Radio/communication equipment	3,841,201	3,525,353
Bike racks on buses	-	-
Service fleet	49,482	35,086
Shop equipment	689,021	504,263
Small tools	97,180	107,388
Computer hardware	69,261	221,026
Computer software	715,010	410,393
	$ 98,243,186	$ 100,330,370

10. Analysis of reserves, reserve funds, and deferred revenues:

	Energy management reserve	General operating reserve	Health care management reserve	2018 Total	2017 Total
Reserves:					
Balance, beginning of year	$ 3,203,250	$ 3,444,665	$ 2,594,716	$ 9,242,631	$ 9,154,150
Contributions from current operations	-	-	79,338	79,338	375,776
Appropriations to current operations	-	(44,800)	(310,874)	(355,674)	(287,295)
	$ 3,203,250	$ 3,399,865	$ 2,363,180	$ 8,966,295	$ 9,242,631

	Capital program	Public liability insurance	2018 Total	2017 Total
Reserve funds:				
Balance, beginning of year	$ 4,548,809	$ 3,398,785	$ 7,947,594	$ 8,752,798
Interest earned	87,346	67,322	154,668	102,792
Contributions from current operations	279,819	400,000	679,819	719,930
	4,915,974	3,866,107	8,782,081	9,575,520
Expenditures:				
Appropriations to current operations	-	(854,482)	(854,482)	(644,518)
Appropriations to capital LTC	(608,232)	-	(608,232)	(983,408)
	(608,232)	(854,482)	(1,462,714)	(1,627,926)
Balance, end of year	$ 4,307,742	$ 3,011,625	$ 7,319,367	$ 7,947,594

Provincial gas tax program	2018 Total	2017 Total
Deferred revenues:		
Balance, beginning of year	$ 22,538,650	$ 28,889,732
Interest earned	519,266	442,590
Contributions	9,998,632	9,356,892
	33,056,548	38,689,214
Expenditures:		
Appropriations to current operations	(11,697,054)	(8,572,223)
Appropriations to capital LTC	(4,412,337)	(7,578,341)
	(16,109,391)	(16,150,564)
Balance, end of year	$ 16,947,157	$ 22,538,650

11. Reconciliation of annual surplus to Commission approved operating surplus:

The Commission's annual operating and capital budget programs are fully funded with actual to budget performance expected to be in a balanced position, that is the Commission does not budget for a surplus or deficit.

PSAB requirements impact how and where revenue and expenditure items are reported and on what financial statement. This results in the reporting of a 2018 budget surplus, a 2018 actual surplus and a 2017 actual surplus.

These reported surplus and deficits, budgeted and actual, are reconciled to the balanced position in the following table:

	Budget	2018	2017
Annual surplus	$ 12,389,600	$ 754,161	$ 10,893,477
Capital expenditures	(12,341,200)	(14,833,959)	(23,782,153)
Transfers from reserves and reserve funds	1,407,000	1,818,388	1,915,221
Contributions to reserves and reserve funds	(1,455,400)	(913,825)	(1,198,498)
Amortization of tangible capital assets	-	12,746,775	12,130,730
Increase in employee future benefits	-	434,000	24,000
Other	-	(5,540)	17,223
Commission approved surplus	$ -	$ -	$ -

Financial Statements of

MIDDLESEX-LONDON HEALTH UNIT

Year ended December 31, 2018

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements
Year ended December 31, 2018

Financial Statements

MIDDLESEX-LONDON HEALTH UNIT

Financial Statements
Year ended December 31, 2018

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Middlesex-London Health Unit ("Health Unit") are the responsibility of the Health Unit's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Health Unit's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Finance & Facilities Committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by The Corporation of the City of London. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Health Unit's financial statements.

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health / CEO

Brian Glasspoole, CPA, CA
Manager, Finance

Patricia Fulton, Chair
Board of Health

INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Middlesex-London Board of Health

Opinion

We have audited the financial statements of Middlesex-London Health Unit (the "Health Unit"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and accumulated surplus for the year then ended
- the statement of change in net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Health Unit as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Health Unit in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Health Unit's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Health Unit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Health Unit's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Unit's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Unit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Health Unit's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Draft"

Chartered Professional Accountants, Licensed Public Accountants

June 2019

London, Canada

MIDDLESEX-LONDON HEALTH UNIT

Statement of Financial Position

December 31, 2018, with comparative information for 2017

		2018		2017
Financial Assets				
Cash	$	4,481,129	$	4,916,671
Accounts receivable		566,108		420,057
Grants receivable		341,452		198,750
		5,388,689		5,535,478
Financial Liabilities				
Accounts payable and accrued liabilities		1,621,987		1,917,268
Due to Province of Ontario		384,867		229,506
Due to Government of Canada		17,849		11,510
Due to The Corporation of the City of London		283,977		494,391
Due to The Corporation of the County of Middlesex		54,088		94,167
Accrued wages and benefits		899,844		838,160
Post-employment benefits liability (note 2(b))		2,554,700		2,372,400
		5,817,312		5,957,402
Net Debt		(428,623)		(421,924)
Non-Financial Assets				
Tangible capital assets (note 4)		980,177		1,173,526
Prepaid expenses		277,535		207,725
		1,257,712		1,381,251
Commitments (note 5)				
Contingencies (note 6)				
Accumulated surplus (note 7)	$	829,089	$	959,327

The accompanying notes are an integral part of these financial statements.

MIDDLESEX-LONDON HEALTH UNIT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget	2018	2017
Revenue:			
Grants:			
Ministry of Health and Long-Term Care	$ 21,093,691	$ 22,025,400	$ 21,368,809
The Corporation of the City of London	6,095,059	5,811,082	5,600,668
Ministry of Children and Youth Services	5,632,766	5,758,404	5,567.899
The Corporation of the County of Middlesex	1,160,961	1,106,873	1,066,794
Government of Canada	428,261	396,054	384,914
	34,410,738	35,097,813	33,989,084
Other:			
Property search fees	3,750	2,550	3,100
Family planning	285,000	155,242	222,240
Dental service fees	-	-	177,494
Investment income	20,000	57,354	16,377
Prenatal class income	8,140	11,550	11,990
Other income (note 8)	657,078	690,961	1,115,742
	973,968	917,657	1,546,943
Total Revenue	35,384,706	36,015,470	35,536,027
Expenditures:			
Salaries:			
Public Health Nurses	9,644,071	9,146,443	9,274,226
Other salaries	3,283,798	4,224,038	4,254,821
Administrative staff	3,596,686	3,340,108	3,529,999
Public Health Inspectors	2,446,450	2,468,496	2,385,304
Dental staff	868,701	848,183	859,102
Medical Officers of Health	552,627	474,467	511,349
	20,392,333	20,501,735	20,810,801
Other Operating:			
Benefits	5,951,588	5,847,732	5,914,269
Professional services	4,043,842	4,624,029	3,573,595
Rent and maintenance	1,663,200	1,698,491	1,705,699
Other expenses (note 9)	1,442,643	1,346,306	1,451,027
Materials and supplies	1,093,466	1,204,966	1,275,140
Amortization expense	422,385	631,272	660,835
Travel	375,249	291,177	332,104
	14,992,373	15,643,973	14,912,669
Total Expenditures	35,384,706	36,145,708	35,723,470
Annual deficit	-	(130,238)	(187,443)
Accumulated surplus, beginning of year	959,327	959,327	1,146,770
Accumulated surplus, end of year	$ 959,327	$ 829,089	$ 959,327

The accompanying notes are an integral part of these financial statements.

MIDDLESEX-LONDON HEALTH UNIT

Statement of Change in Net Debt

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget	2018	2017
Annual deficit	$ -	$ (130,238)	$ (187,443)
Acquisition of tangible capital assets, net	-	(437,923)	(412,953)
Amortization of tangible capital assets	-	631,272	660,835
	-	63,111	60,439
Acquisition of prepaid expenses	-	(277,535)	(207,725)
Use of prepaid expenses	-	207,725	218,051
	-	(69,810)	10,326
Change in net debt	-	(6,699)	70,765
Net debt, beginning of year	(421,924)	(421,924)	(492,689)
Net debt, end of year	$ (421,924)	$ (428,623)	$ (421,924)

The accompanying notes are an integral part of these financial statements.

MIDDLESEX-LONDON HEALTH UNIT

Statement of Cash Flows

December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual deficit	$ (130,238)	$ (187,443)
Items not involving cash:		
Amortization expense	631,272	660,835
Change in post-employment benefits liability	182,300	136,991
Changes in non-cash assets and liabilities:		
Accounts receivable	(146,051)	(37,370)
Grants receivable	(142,702)	97,290
Prepaid expenses	(69,810)	10,326
Due to Province of Ontario	155,361	(194,686)
Due to Government of Canada	6,339	(51,489)
Due to The Corporation of the City of London	(210,414)	329,283
Due to The Corporation of the County of Middlesex	(40,079)	62,720
Accounts payable and accrued liabilities	(295,282)	480,075
Accrued wages and benefits	61,685	(41,814)
Net change in cash from operating activities	2,381	1,264,718
Capital activities:		
Cash used to acquire tangible capital assets	(437,923)	(412,953)
Net change in cash from capital activities	(437,923)	(412,953)
Net change in cash	(435,542)	851,765
Cash and cash equivalents, beginning of year	4,916,671	4,064,906
Cash and cash equivalents, end of year	$ 4,481,129	$ 4,916,671

The accompanying notes are an integral part of these financial statements.

The Middlesex-London Health Unit (the “Health Unit”) is a joint local board of the municipalities of The Corporation of the City of London and The Corporation of the County of Middlesex that was created on January 1, 1972. The Middlesex-London Health Unit provides programs which promote healthy and active living throughout the participating municipalities.

1. Significant accounting policies:

The financial statements of the Middlesex-London Health Unit are prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Middlesex-London Health Unit are as follows:

(a) Basis of presentation:

The financial statements reflect the assets, liabilities, revenue and expenditures of the reporting entity. The reporting entity is comprised of all programs funded by the Government of Canada, the Province of Ontario, The Corporation of the City of London, and The Corporation of the County of Middlesex. It also includes other programs that the Board of Health may offer from time to time with special grants and/or donations from other sources.

Inter-departmental transactions and balances have been eliminated.

(b) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of donations, which are included in the statement of operations as received.

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of services and the creation of a legal obligation to pay.

The operations of the Middlesex-London Health Unit are funded by government transfers from the Government of Canada, Province of Ontario, The Corporation of the City of London and The Corporation of the County of Middlesex. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Government transfers not received at year end are recorded as grants receivable due from the related funding organization in the statement of financial position.

Funding amounts in excess of actual expenditures incurred during the year are either contributed to reserves or reserve funds, when permitted, or are repayable and are reflected as liabilities due to the related funding organization in the statement of financial position.

1. Significant accounting policies (continued):

(c) Employee future benefits:

(i) The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods. These benefits include sick leave, life insurance, extended health and dental benefits for early retirees.

The cost of sick leave, life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, long term inflation rates and discount rates.

(ii) The cost of multi-employer defined benefit pension plan, namely the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. As this is a multi-employer plan, no liability is recorded on the Middlesex-London Health Unit's general ledger.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives that extend beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, are amortized on a straight-line basis over the estimated useful lives as follows:

Asset	Useful Life - Years
Leasehold Improvements	5 - 15
Computer Systems	4
Motor Vehicles	5
Furniture & Equipment	7

Assets under construction are not amortized until the asset is available for productive use.

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and are recorded as revenue.

(iii) Leased tangible capital assets

Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payment are charged to expense as incurred.

(e) Use of estimates:

The preparation of the Middlesex-London Health Unit's financial statements requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities, and in performing actuarial valuations of post-employment benefits.

In addition, the Middlesex-London Health Unit’s implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of the useful lives of tangible capital assets.

Actual results could differ from these estimates.

(f) Adoption of new accounting policies:

(i) Related Party Disclosures:

The Health Unit adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Health Unit adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

1. Significant accounting policies (continued):

(f) Adoption of new accounting policies (continued):

(ii) Inter-Entity Transactions:

The Health Unit adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Health Unit adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Employee future benefits:

The Middlesex-London Health Unit provides certain employee benefits which will require funding in future periods, as follows:

(a) Vested sick leave liability:

Under the sick leave benefit plan, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the Middlesex-London Health Unit's employment. This plan applies to employees hired prior to January 1, 1982.

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to $nil (2017 - $nil) at the end of the year.

A residual reserve of $29,462 remains after all commitments for this liability have been met.

(b) Post-retirement benefits liability:

The Middlesex-London Health Unit pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Middlesex-London Health Unit recognizes these post-retirement costs in the period in which the employees render services. The most recent actuarial valuation was performed as at December 31, 2017.

	2018	2017
Accrued employee future benefit obligations	$ 3,042,000	$ 2,846,600
Unamortized net actuarial loss	(487,300)	(474,200)
Employee future benefits liability as of December 31	$ 2,554,700	$ 2,372,400

Retirement and other employee future benefit expenses included in the benefits in the statement of operations consist of the following:

	2018	2017
Current year benefit cost	$ 180,700	$ 180,500
Interest on accrued benefit obligation	96,100	89,800
Amortization of net actuarial loss	48,800	44,600
Total benefit cost	$ 325,600	$ 314,900

Benefits paid during the year were $143,300 (2017 - $125,700).

2. Employee future benefits (continued):

(b) Post-retirement benefits liability (continued):

The main actuarial assumptions employed for the valuation are as follows:

(i) Discount rate:

The obligation as at December 31, 2018, of the present value of future liabilities and the expense for the year ended December 31, 2018, are determined using a discount rate of 3.25% (2017 – 3.25%).

(ii) Medical costs:

Prescription drug costs are assumed to increase at the rate of 7% per year (2017 - 7%) declining to 4% per year over 20 years. Other Medical and Vision costs are assumed to increase at a rate of 4% per year, and 0% per year respectively.

(iii) Dental costs:

Dental costs are assumed to increase at the rate of 4% per year (2017 - 4%).

3. Pension agreement:

The Middlesex-London Health Unit contributes to the OMERS which is a multi-employer plan, on behalf of 314 members. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

During 2018, the plan required employers to contribute 9.0% of employee earnings up to the year's maximum pensionable earnings and 14.6% thereafter. The Middlesex-London Health Unit contributed $1,932,916 (2017 - $1,960,653) to the OMERS pension plan on behalf of its employees during the year ended December 31, 2018.

4. Tangible Capital Assets:

Cost	Balance at December 31, 2017	Additions	Disposals / Transfers	Balance at December 31, 2018
Leasehold Improvements – 15 years	$ 2,700,140	$ -	$ -	$ 2,700,140
Leasehold Improvements – 5 years	21,780	-	-	21,780
Computer Systems	1,242,387	162,576	(269,383)	1,135,581
Motor Vehicle	5,385	-	-	5,385
Furniture & Equipment	1,564,407	275,347	(347,542)	1,492,212
Total	$ 5,534,099	$ 437,923	$ (616,925)	$ 5,355,098

Accumulated amortization	Balance at December 31, 2017	Amortization expense	Disposals / Transfers	Balance at December 31, 2018
Leasehold Improvements – 15 years	$ 2,517,094	$ 183,045	$ -	$ 2,700,140
Leasehold Improvements – 5 years	13,235	8,545	-	21,780
Computer Systems	844,593	230,202	(269,383)	805,412
Motor Vehicle	3,365	1,346	-	4,711
Furniture & Equipment	982,286	208,134	(347,542)	842,878
Total	$ 4,360,573	$ 631,272	$ (616,925)	$ 4,374,921

	Net book value December 31, 2017	Net book value December 31, 2018
Leasehold Improvements – 15 years	$ 183,045	$ -
Leasehold Improvements – 5 years	8,545	-
Computer Systems	397,795	330,169
Motor Vehicle	2,020	674
Furniture & Equipment	582,121	649,334
Total	$ 1,173,526	$ 980,177

During the year, the Middlesex-London Health Unit deemed to have disposed of fully amortized assets with a cost basis of $616,925 (2017 - $397,723).

4. Tangible Capital Assets (continued):

Cost	Balance at December 31, 2016	Additions	Disposals / Transfers	Balance at December 31, 2017
Leasehold Improvements – 15 years	$ 2,660,874	$ 39,266	$ -	$ 2,700,140
Leasehold Improvements – 5 years	33,850	9,382	(21,452)	21,780
Computer Systems	1,309,479	77,030	(144,122)	1,242,387
Motor Vehicle	5,385	-	-	5,385
Furniture & Equipment	1,509,281	287,275	(232,149)	1,564,407
Total	$ 5,518,869	$ 412,953	$ (397,723)	$ 5,534,099

Accumulated amortization	Balance at December 31, 2016	Amortization expense	Disposals / Transfers	Balance at December 31, 2017
Leasehold Improvements – 15 years	$ 2,334,049	$ 183,045	$ -	$ 2,517,094
Leasehold Improvements – 5 years	26,142	8,545	(21,452)	13,235
Computer Systems	721,420	267,295	(144,122)	844,593
Motor Vehicle	2,019	1,346	-	3,365
Furniture & Equipment	1,013,831	200,604	(232,149)	982,286
Total	$ 4,097,461	$ 660,835	$ (397,723)	$ 4,360,573

	Net book value December 31, 2016	Net book value December 31, 2017
Leasehold Improvements – 15 years	$ 326,825	$ 183,046
Leasehold Improvements – 5 years	7,708	8,545
Computer Systems	588,059	397,794
Motor Vehicle	3,366	2,020
Furniture & Equipment	495,450	582,121
Total	$ 1,421,408	$ 1,173,526

5. Commitments:

The Middlesex-London Health Unit is committed under operating leases for office equipment and rental property.

Future minimum payments to expiry are as follows:

2019	$ 846,097
2020	675,291
2021	654,835
2022	654,835
2023	654,835
Thereafter	9,986,234

6. Contingencies:

From time to time, the Middlesex-London Health Unit is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Middlesex-London Health Unit's insurance. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely, and it is estimable.

7. Accumulated Surplus:

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2018	2017
Surpluses:		
Invested in tangible capital assets	$ 980,177	$ 1,173,526
Unfunded:		
Post-employment benefits	(2,554,700)	(2,372,400)
Total deficit	(1,574,523)	(1,198,874)
Reserves set aside by the Board:		
Accumulated sick leave	29,462	29,462
Funding stabilization	818,258	818,258
Employment costs	176,077	176,077
Technology and infrastructure	1,250,000	1,000,000
Environmental – septic tank	6,044	6,044
Dental treatment	123,771	128,360
Total reserves	2,403,612	2,158,201
Accumulated surplus	$ 829,089	$ 959,327

8. Other income:

The following revenues are presented as other income in the statement of operations:

	2018 Budget	2018 Actual	2017 Actual
Collaborative project	$ 70,000	$ 277,328	$ 353,393
Food handler training	20,000	26,706	25,250
Public Fit-testing	-	1,695	10,621
Miscellaneous	205,878	124,312	338,813
OHIP	244,000	197,710	230,488
Vaccines	117,200	63,210	155,370
Workshops	-	-	1,807
	$ 657,078	$ 690,961	$ 1,115,742

9. Other expenses:

The following expenditures are presented as other expenses in the statement of operations:

	2018 Budget	2018 Actual	2017 Actual
Communications	$ 192,104	$ 236,473	$ 158,498
Health promotion/advertising	349,282	302,338	405,425
Miscellaneous	483,606	387,029	420,034
Postage and courier	67,280	57,173	62,127
Printing	147,548	163,818	138,635
Staff development	202,823	199,475	266,308
	$ 1,442,643	$ 1,346,306	$ 1,451,027

Financial Statements of

MUSEUM LONDON

Year ended December 31, 2018

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Chair and Members, Museum London

Opinion

We have audited the financial statements of Museum London, which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of Museum London as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of Museum London in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Museum London's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Museum London or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Museum London's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Museum London's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Museum London's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Museum London to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

March 27, 2019

MUSEUM LONDON

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash and cash equivalents	$ 313,290	$ 605,365
Accounts receivable (note 8)	217,545	258,548
Investments (note 2)	6,216,933	5,984,824
	6,747,768	6,848,737
Financial liabilities:		
Accounts payable and accrued liabilities	532,823	465,952
Deferred revenue	435,319	263,205
Employee future benefits (note 3)	62,549	81,723
	1,030,691	810,880
Net financial assets	5,717,077	6,037,857
Non-financial assets:		
Tangible capital assets (note 4)	10,931,771	10,048,108
Prepaid expenses	122,365	102,618
	11,054,136	10,150,726
Accumulated surplus (note 5)	$ 16,771,213	$ 16,188,583

The accompanying notes are an integral part of these financial statements.

MUSEUM LONDON

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenue:			
Federal	$ 366,698	$ 388,116	$ 1,368,325
Provincial	216,903	207,903	204,453
Municipal:			
Operating	1,690,199	1,863,723	1,675,757
Capital	120,000	115,831	282,563
Community:			
Donations (note 8)	372,500	767,713	565,741
Public programs	103,050	111,839	88,562
Ancillary services:			
Catering and rentals	147,900	143,568	131,616
Fundraising events	40,000	40,111	8,000
Public program and exhibition sponsorship	3,500	22,636	63,912
Donation of art and artifacts	300,000	289,685	443,903
Investment income	306,000	570,870	289,375
Other	378,500	401,649	362,590
Total revenue	4,045,250	4,923,644	5,484,797
Expenses			
Operating:			
Operations	1,065,526	985,053	992,956
General and administration	910,517	862,900	869,287
Public programs	237,167	204,153	280,497
Publicity	152,737	152,271	183,137
Curatorial and collections management	595,231	622,330	565,692
Amortization of tangible capital assets	660,000	629,738	624,069
Ancillary services:			
Catering and rentals	104,945	96,528	97,194
Public programs and exhibitions	225,000	399,642	191,393
Donation of art and artifacts	300,000	289,685	443,903
Purchase of art and artifacts	30,000	41,966	156,327
Collection expense	17,700	26,719	14,326
Investment expense	40,873	30,029	31,002
Total expenditures	4,339,696	4,341,014	4,449,783
Annual surplus (deficit)	(294,446)	582,630	1,035,014
Accumulated surplus, beginning of year	16,188,583	16,188,583	15,311,794
Transfer of restricted funds	-	-	(158,225)
Accumulated surplus, end of year	$ 15,894,137	$ 16,771,213	$ 16,188,583

The accompanying notes are an integral part of these financial statements.

MUSEUM LONDON

Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus (deficit)	$ (294,446)	$ 582,630	$ 1,035,014
Acquisition of tangible capital assets	(120,000)	(1,513,401)	(1,590,386)
Amortization of tangible capital assets	629,740	629,738	624,069
	215,294	(301,033)	68,697
Change in prepaid expenses	-	(19,747)	(11,122)
Change in net financial assets	215,294	(320,780)	57,575
Transfer of restricted funds	-	-	(158,225)
Net financial assets, beginning of year	6,037,857	6,037,857	6,138,507
Net financial assets, end of year	$ 6,253,151	$ 5,717,077	$ 6,037,857

The accompanying notes are an integral part of these financial statements.

MUSEUM LONDON

Statement of Cash Flows

Year ended December 31, 2018 with comparative information for 2017

		2018		2017
Cash provided by (used in):				
Operating activities:				
Annual surplus	$	582,630	$	1,035,014
Items not involving cash:				
Amortization of tangible capital assets		629,738		624,069
Change in employee future benefits		(19,174)		(9,648)
Change in non-cash assets and liabilities:				
Accounts receivable		41,002		(102,866)
Accounts payable and accrued liabilities		66,872		128,234
Deferred revenue		172,114		109,801
Prepaid expenses		(19,747)		(11,122)
Increase in cash and cash equivalents from operating activities		1,453,435		1,773,482
Capital activities:				
Acquisition of tangible capital assets		(1,513,401)		(1,590,386)
Investing activities:				
Change in investments, net		(232,109)		339,274
Transfer of restricted funds		-		(158,225)
		(1,745,510)		(1,409,337)
Increase (decrease) in cash and cash equivalents		(292,075)		364,145
Cash and cash equivalents, beginning of year		605,365		241,220
Cash and cash equivalents, end of year	$	313,290	$	605,365

The accompanying notes are an integral part of these financial statements.

1. Significant accounting policies:

The financial statements of Museum London, a registered charity and a local board of the Corporation of the City of London (the "City") are prepared by management in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants Canada Public Sector Accounting Handbook.

The statement of operations combines financial transactions of the operating, tangible capital asset, and reserve and restricted funds.

(a) Operating funds are available for financing expenditures for the day to day operations of Museum London;

(b) Tangible capital asset funds are available for financing expansion, replacement and major repairs and maintenance of Museum London facilities; and

(c) Reserves and restricted funds are designated for specific purposes and are either not available for day to day operations or require special approval in accordance with Museum London Board policy.

Note 9 provides a summary of the financial activities of each fund. Transfers between the funds are made as approved by the Board.

(a) Basis of accounting:

Museum London follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Government transfers:

Government transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expense have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

1. Significant accounting policies (continued):

(c) Deferred revenue:

Deferred revenue represent grants, sponsorships and other designated funding which has been received but for which the related exhibitions, programs or other services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned. Income earned on restricted and unrestricted investment funds becomes part of the investment funds and are not available for operating purposes.

(e) Investments:

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

(f) Employee future benefits:

The Museum provides certain employee benefits which will require funding in future periods. These benefits include amounts for vacation for current employees. These future liabilities are recognized at current cost.

(g) Pension contributions:

The costs of defined contribution pension plan benefits to the Ontario Municipal Employees Retirement Fund (OMERS) are the employer's contributions due to the plan in the period.

1. Significant accounting policies (continued):

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Building and building improvements:	
Building structure and initial site-works	60 years
Building shell (cladding, roofing, windows)	20 years
Building services (heating, electrical, mechanical)	5-15 years
Site-work betterments and interior refurbishing	5-7 years
Furniture and equipment:	
Heavy equipment	10 years
Furniture and small equipment	5 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets:

Works of art and material cultural and historic assets are not recorded as assets in these financial statements.

(i) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

1. Significant accounting policies (continued):

(j) Budget figures:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(k) Adoption of new accounting policies:

i) Related Party Disclosures:

The Museum adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Museum adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions:

The Museum adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

Museum London adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Investments:

At December 31, investments at cost were comprised of the following:

	2018	2017
Canadian bond	$ 3,405,263	$ 3,217,196
Canadian equity	1,268,448	1,371,380
US equity	648,758	532,943
International equity	894,464	863,305
	$ 6,216,933	$ 5,984,824

At December 31, 2018 the approximate market value of the investments amounted to $6,209,228 (2017 - $6,570,814).

3. Employee future benefits:

Employee future benefits, reported on the statement of financial position, are comprised of the following:

	2018	2017
Vacation pay earned but not taken	$ 62,549	$ 81,723

Under the provision of certain employee vacation plans, some vacation credits are earned as at December 31, but are generally unavailable for use until a later date. The approximate value of these credits as at December 31, 2018 is $62,549 (2017 - $81,723).

4. Tangible capital assets:

	Balance December 31, 2017	Additions	Disposal	Write-offs	Balance December 31, 2018
Cost:					
Land	$ 1,175,120	$ -	$ -	$ -	$ 1,175,120
Building and building improvements	14,887,173	1,356,315	-	29,872	16,213,616
Furniture and equipment	151,986	157,086	-	-	309,072
	$16,214,279	$ 1,513,401	$ -	$ 29,872	$17,697,808
Accumulated amortization:					
Building and building improvements	$ 6,122,568	$ 611,080	$ -	$ 29,872	$ 6,703,776
Furniture and equipment	43,603	18,658	-	-	62,261
	$ 6,166,171	$ 629,738	$ -	$ 29,872	$ 6,766,037
Net book value:					
Land	$ 1,175,120				$ 1,175,120
Building and building improvements	8,764,605				9,509,840
Furniture and equipment	108,383				246,811
	$10,048,108				$10,931,771

5. Accumulated surplus:

The accumulated surplus consists of the following:

	2018	2017
Surplus:		
Operating fund	$ 99,926	$ 58,130
Investment in tangible capital assets	10,931,771	10,048,108
Unfunded employee benefits	(62,549)	(81,723)
Total surplus	10,969,148	10,024,515
Reserve funds set aside for specific purposes by Museum London:		
Operating endowment	2,561,089	2,564,624
Restricted funds held by Museum London include the following:		
Moore acquisitions fund	2,961,151	2,754,078
Moore collection management fund	313,737	285,704
Nancy Geddes Poole fund	114,366	104,783
Volunteer committee acquisitions fund	212,665	199,628
Centre at the Forks	(363,049)	245,904
Cohen Innovations in Culture fund	-	25,953
Wolf fund	-	384
Satellite Gallery	2,106	(16,990)
	3,240,976	3,599,444
	$ 16,771,213	$ 16,188,583

6. Insurance:

Museum London has accumulated works of art with an insured value of $47,716,335 (2017 - $47,589,345). These works of art are not recorded as tangible capital assets in the financial statements.

7. Pension plan:

Museum London makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS") on behalf of twenty members of its staff. The plan is a contributory defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

Contributions for employees with a normal retirement age of sixty-five were made at the rate of 9.0% for earnings up to the yearly maximum pensionable earnings of $55,900 and at a rate of 14.60% for earnings greater than the yearly maximum pensionable earnings.

The amount contributed to OMERS for 2018 was $105,040 (2017 - $104,572) and is included as an expense in the statement of operations. Employees' contributions to OMERS in 2018 was $105,040 (2017 - $104,572).

8. Related party transactions and balances:

Included in accounts receivable is $28,340 due from the Corporation of the City of London, an organization that has significant influence over Museum London and $18,519 due from Museum London Foundation, an organization under common significant influence. The balances are non-interest bearing and have no specific terms of repayment.

Transactions are entered into with related parties in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Community donations includes gifts from Museum London Foundation of $81,497.

9. Annual surplus:

The annual surplus in the statement of operations includes the net change of the balance of each of the three funds: operating, investment in tangible capital asset, and reserve and restricted funds along with the change in unfunded employee future benefits as follows:

	2018	2017
Operating fund	$ 41,796	$ 33,873
Investment in tangible capital assets	883,663	966,317
Reserve and restricted funds	(362,003)	25,176
Change in unfunded employee benefits	19,174	9,648
Annual surplus	$ 582,630	$ 1,035,014

9. Annual surplus (continued):

Statements of financial activities for the three funds follow:

(i) Operating Fund:

	2018 Budget	2018 Total	2017 Total
Revenue:			
Federal:			
Canada Council for the Arts:			
Operating	$ 333,048	$ 320,816	$ 228,000
Programs	-	-	14,975
Canadian Heritage	-	33,650	73,594
Other	-	-	5,406
Provincial:			
Ontario Arts Council:			
Operating grant	164,949	155,949	143,500
Ministry of Tourism and Culture	51,954	51,954	51,954
Other	-	-	8,999
Municipal	1,690,199	1,690,199	1,669,257
Community:			
Donations	72,500	166,386	60,648
Public programs	103,050	111,839	88,562
Ancillary services:			
Catering and rentals	147,900	143,568	131,616
Fundraising events	40,000	40,111	8,000
Public program and exhibition sponsorship	3,500	22,636	39,912
Investment income	6,000	9,182	6,164
Other	378,500	348,208	360,096
	$ 2,991,600	$ 3,094,498	$ 2,890,683

9. Annual surplus (continued):

(i) Operating Fund (continued):

	2018 Budget	2018 Total	2017 Total
Expenses:			
Operating:			
Operations	$ 1,065,526	$ 985,053	$ 992,956
General and administration	910,517	862,900	869,287
Public programs	237,167	163,307	233,120
Publicity	152,737	152,271	183,137
Curatorial and collections management	595,231	622,330	565,692
Ancillary services:			
Catering and rentals	104,945	96,528	97,194
Fundraising events	-	168,081	665
Exhibitions	225,000	231,561	190,728
Purchase of art and artifacts	30,000	41,966	156,327
Collection expense	17,700	26,719	14,326
	3,338,823	3,350,716	3,303,432
Net expenditures	(347,223)	(256,218)	(412,749)
Financing and transfers:			
Transfer from reserve and restricted funds	-	317,188	456,270
Employee benefits	-	(19,174)	(9,648)
Net financing and transfers	-	298,014	446,622
Change in fund balance	(347,223)	41,796	33,873
Surplus, beginning of year	58,130	58,130	24,257
Surplus, end of year	$ (289,093)	$ 99,926	$ 58,130

9. Annual surplus (continued):

(ii) Investment in tangible capital assets:

		2018		2017
Revenue:				
Municipal	$	115,831	$	132,312
Learning Centre Restricted Fund		1,397,570		1,458,074
Amortization of tangible capital assets		(629,738)		(624,069)
Net revenue	$	883,663	$	966,317
Change in fund balance	$	883,663	$	966,317
Opening balance		10,048,108		9,081,791
Ending balance	$	10,931,771	$	10,048,108

(iii) Reserve and Restricted Funds:

(a) Reserve Funds:

		2018		2017
Transfers to reserves:				
Net investment revenue	$	232,507	$	118,892
Museum London Foundation contribution		55,797		-
Transfers from restricted funds		383		-
		288,687		118,892
Expenditure:				
Transfer to operating fund		292,222		300,259
Change in reserve funds		(3,535)		(181,367)
Opening balance		2,564,624		2,745,991
Closing balance	$	2,561,089	$	2,564,624

9. Annual surplus (continued):

(iii) Reserve and Restricted Funds:

(b) Restricted Funds:

	2018	2017
Transfer to restricted funds:		
Net investment revenue	$ 299,152	$ 133,317
Donations:		
Learning centre	545,530	505,093
Federal cultural spaces grant	33,650	1,046,350
Municipal	173,524	156,751
Partnership contributions	53,000	24,000
Transfer from operating, Learning Centre	17,000	-
Miscellaneous	26,392	2,494
	1,148,248	1,868,005
Expenditures:		
Transfer to operating fund, acquisition of artwork	67,918	156,011
Transfer to reserves	383	-
Learning Centre tangible capital assets	1,397,569	1,458,074
Satellite Centre expenditures	40,846	47,377
	1,506,716	1,661,462
Change in restricted funds	(358,468)	206,543
Opening balance	3,599,444	3,551,126
Transfer of restricted funds	-	(158,225)
Closing balance	$ 3,240,976	$ 3,599,444

10. Budget data:

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

		Budget amount
Revenue:		
Operating budget	$	2,991,660
Expense:		
Operating budget		2,991,600
Annual operating surplus, as budgeted		-
Federal cultural spaces grant		33,650
Learning Centre donations		300,000
Capital funding		120,000
Donation of art and artifacts		300,000
Investment income		300,000
Investment expense		(40,873)
Donation of art and artifacts		(300,000)
Transfers from reserve and restricted funds		(347,223)
Amortization of tangible assets		(660,000)
Annual deficit, revised	$	(294,446)

11. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

DRAFT Financial Statements of

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Year ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Chair and Members of Old East Village Bushiness Improvement Area

Opinion

We have audited the financial statements of Old East Village Business Improvement Area (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of change in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Month DD, YYYY

London, Canada

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Financial Position

DRAFT

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash and short-term investments (note 2)	$ 96,960	$ 93,046
Accounts receivable	1,881	1,672
	98,841	94,718
Financial liabilities		
Accounts payable and accrued liabilities	1,989	1,584
Deferred revenue	4,208	4,340
	6,197	5,924
Net financial assets	92,644	88,794
Non-financial assets		
Tangible capital assets (note 4)	4,681	6,102
Prepaid expenses and deposits	1,353	1,804
	6,034	7,906
Accumulated surplus (note 3)	$ 98,678	$ 96,700

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Operations

DRAFT

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Revenue:			
Requisition:			
Municipal levy - The Corporation of the City of London	$ 14,781	$ 14,781	$ 14,917
Other:			
The Corporation of the City of London	141,102	141,102	141,202
Miscellaneous	44,579	417	2,172
	200,462	156,300	158,291
Expenditures:			
Wages and salaries	140,422	108,516	98,058
Office rental	14,461	12,661	12,661
Payroll deductions	-	7,257	6,483
Administration	6,600	5,453	5,292
Advertising, marketing and promotion	1,500	3,925	1,375
Community initiatives and appreciation	5,300	3,804	4,204
Purchased services	13,300	2,688	1,560
Special projects	3,000	1,820	420
Beautification	5,000	1,697	1,144
Amortization of tangible capital assets	-	1,421	941
Financial audit	1,469	1,300	1,300
Telephone and internet service	1,500	1,169	1,427
Printing and communications	710	781	316
Operating supplies and costs	800	561	517
Travel and transportation costs	660	550	335
HST expense	-	508	730
Training, education and development	240	161	-
Equipment and building maintenance	5,500	50	202
	200,462	154,322	136,965
Annual surplus	-	1,978	21,326
Accumulated surplus, beginning of year	96,700	96,700	75,374
Accumulated surplus, end of year	$ 96,700	$ 98,678	$ 96,700

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Change in Net Financial Assets

DRAFT

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	2018	2017
Annual surplus	-	$ 1,978	$ 21,326
Acquisition of tangible capital assets	-	-	(3,779)
Amortization of tangible capital assets	-	1,421	941
	-	3,399	18,488
Acquisition of prepaid expenses	-	(1,476)	(1,927)
Use of prepaid expenses	-	1,927	3,974
	-	451	2,047
	-	3,850	20,535
Net financial assets, beginning of year	88,794	88,794	68,259
Net financial assets, end of year	88,794	$ 92,644	$ 88,794

See accompanying notes to financial statements.

OLD EAST VILLAGE BUSINESS IMPROVEMENT AREA

Statement of Cash Flows

DRAFT

Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Cash provided by (used in):				
Operating activities:				
Annual surplus	$	1,978	$	21,326
Item not involving cash:				
Amortization of tangible capital assets		1,421		941
Changes in non-cash operating working capital:				
Accounts receivable		(209)		(414)
Accounts payable and accrued liabilities		405		(4)
Deferred revenue		(132)		(1,292)
Prepaid expenses and deposits		451		2,047
		3,914		22,604
Capital activities:				
Purchase of tangible capital assets		-		(3,779)
Increase in cash and short-term investments		3,914		18,825
Cash and short-term investments, beginning of year		93,046		74,221
Cash and short-term investments, end of year (note 2)	$	96,960	$	93,046

See accompanying notes to financial statements.

1. Significant accounting policies:

The financial statements of Old East Village Business Improvement Area (the "Entity") are prepared in accordance with Canadian generally accepted accounting principles as defined in the Chartered Professional Accountants of Canada Public Sector Accounting Handbook.

(a) Basis of accounting:

Sources of financing and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a declining balance basis over their estimated useful lives as follows:

Asset	Rate
Furniture and fixtures	20%
Computer hardware	30-45%
Computer software	45%

(c) Government transfers:

Government transfer payments from The Corporation of the City of London are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(d) Deferred revenue:

Contributions received for expenses of future periods are recorded as deferred revenue and recognized as revenue in the fiscal period the expenses are incurred.

1. Significant accounting policies (continued):

(e) Donations in kind:

The Old East Village Business Improvement Area recognizes revenues and expenses for services which are donated which can be reasonably valued and are services which otherwise would have been purchased.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Budget figures:

Budget figures have been provided for comparison purposes.

1. Significant accounting policies (continued):

(h) Adoption of new accounting policies:

(i) Related Party Disclosures

The Entity adopted Public Sector Accounting Board Standard PS 2200 Related Party Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(ii) Inter-entity Transactions

The Entity adopted Public Sector Accounting Board Standard PS 3420 Inter-entity Transactions effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

2. Cash and short-term investments:

		2018		2017
Cash and short-term investments consist of:				
Cash	$	90,921	$	87,007
Guaranteed investment certificates		6,039		6,039
	$	96,960	$	93,046

3. Accumulated surplus:

The balance of accumulated surplus is comprised of the following:

		2018		2017
Invested in tangible capital assets	$	4,681	$	6,102
Reserves:				
Contingencies		3,733		3,733
Pole decorations		2,333		2,728
Mural maintenance		1,936		1,936
		8,002		8,397
Operating fund		85,995		82,201
	$	98,678	$	96,700

4. Tangible capital assets:

Cost	December 31, 2017	Additions	Disposals	December 31, 2018
Furniture and fixtures	$ 22,476	$ -	$ -	$ 22,476
Computer hardware	11,018	-	-	11,018
Computer software	3,609	-	-	3,609
Total	$ 37,103	$ -	$ -	$ 37,103

Accumulated amortization	December 31, 2017	Disposals	Amortization expense	December 31, 2018
Furniture and fixtures	$ 16,458	$ -	$ 1,379	$ 17,837
Computer hardware	10,946	-	34	10,980
Computer software	3,597	-	8	3,605
Total	$ 31,001	$ -	$ 1,421	$ 32,422

	Net book value December 31, 2017	Net book value December 31, 2018
Furniture and fixtures	$ 6,018	$ 4,639
Computer hardware	72	38
Computer software	12	4
Total	$ 6,102	$ 4,681

Financial Statements of

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

For the period from January 1, 2018 to October 16, 2018

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Public Utility Commission of The City of London

We have audited the accompanying financial statements of the Public Utility Commission of The City of London, which comprise the statement of financial position as at October 16, 2018, the statements of operations, change in net financial assets and cash flows for the period from January 1, 2018 to October 16, 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Public Utility Commission of The City of London as at October 16, 2018, and its results of operations, its changes in net financial assets, and its cash flows for the period January 1, 2018 to October 16, 2018 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 28, 2019

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON
Statement of Financial Position
As at October 16, 2018, with comparative information for December 31, 2017

	October 16, 2018 (Note 1)	December 31, 2017
Financial Assets:		
Cash	$ -	$ 1,874,183
Due from City of London (Note 4)	-	276,889
	-	2,151,072
Net financial assets	-	2,151,072
Non-financial Assets:		
Tangible capital assets (Note 5)	-	3,144,224
	-	3,144,224
Accumulated surplus (Note 6)	$ -	$ 5,295,296

Contingent liability (Note 3)

The accompanying notes are an integral part of these financial statements.

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Operations

For the period from January 1, 2018 to October 16, 2018, with comparative information for the year-ended December 31, 2017

	Budget	**October 16, 2018 (Note 1)**	December 31, 2017
Revenues:			
User charges	$ 260,000	**$ 257,800**	$ 247,451
Rents (Note 4)	100,000	**79,178**	100,000
Investment income	25,000	**29,600**	24,958
Total revenues	385,000	**366,578**	372,409
Expenses:			
General government expenses	505,500	**425,647**	443,972
Restructuring expenses:			
Disposal of tangible capital assets (note 4)	-	**3,050,338**	-
Disposal of net financial assets (note 4)	-	**2,185,889**	-
Total expenses	505,500	**5,661,874**	443,972
Period deficit	(120,500)	**(5,295,296)**	(71,563)
Accumulated surplus, beginning of period	5,295,296	**5,295,296**	5,366,859
Accumulated surplus, end of period	$ 5,174,796	**$ -**	$ 5,295,296

The accompanying notes are an integral part of these financial statements.

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Change in Net Financial Assets

For the period from January 1, 2018 to October 16, 2018, with comparative information for the year-ended December 31, 2017

	Budget	**October 16, 2018 (Note 1)**	December 31, 2017
Period deficit	$ (120,500)	**$ (5,295,296)**	$ (71,563)
Amortization of tangible capital assets	187,774	**93,886**	187,774
Disposal of tangible capital assets	-	**3,050,338**	-
Change in net financial assets	67,274	**(2,151,072)**	116,211
Net financial assets, beginning of period	2,151,072	**2,151,072**	2,034,861
Net financial assets, end of period	$ 2,218,346	**$ -**	$ 2,151,072

The accompanying notes are an integral part of these financial statements.

THE PUBLIC UTILITY COMMISSION OF THE CITY OF LONDON

Statement of Cash Flows

For the period from January 1, 2018 to October 16, 2018, with comparative information for the year-ended December 31, 2017

	October 16, 2018 (Note 1)	December 31, 2017
Cash provided by (used in):		
Operating Activities:		
Period deficit	$ (5,295,296)	$ (71,563)
Items not involving cash:		
Amortization of tangible capital assets	93,886	187,774
Change in non-cash assets and liabilities:		
Due from City of London	(5,218)	(91,253)
Net change in cash from operating activities	(5,206,628)	24,958
Capital Activities:		
Disposal of tangible capital assets (note 4)	3,050,338	-
Disposal of net financial assets (note 4)	2,185,889	-
Net change in cash from capital activities	5,236,227	-
Net change in cash	29,599	24,958
Cash, beginning of period	1,874,183	1,849,225
Transfer of cash to shareholder on dissolution	(1,903,782)	-
Cash, end of period	$ -	$ 1,874,183

The accompanying notes are an integral part of these financial statements.

1. Reporting entity:

Pursuant to the *Electricity Act, 1998* (Ontario), the various undertakings and activities of The Hydro-Electric Commission of the City of London were segregated and a substantial portion transferred on November 1, 2000 to separate companies incorporated under the *Business Corporations Act* (Ontario) with The Corporation of the City of London (the "City") as the sole shareholder. The name of the Commission was changed to The Public Utility Commission of the City of London (the "Commission") effective November 1, 2000, and the Commission has been at all material times and continues to be one and the same corporate and legal entity with the status of a municipal service board under subsection 195(1) of the *Municipal Act, 2001.* The composition of the Commission has previously been in accordance with section 22 of the London-Middlesex Act 1992, was re-established effective December 9, 2003 pursuant to subsection 195(9) of the Municipal Act, 2001. Members of the Commission are such persons who have been appointed by the Municipal Council of the Corporation of the City of London.

Certain property containing historic coal tar deposits was excluded from the transfer on November 1, 2000 and has been retained since then by the Commission.

The Corporation of the City of London, the sole shareholder of the Commission, resolved at its Municipal Council meeting on October 16, 2018 to dissolve the Public Utility Commission of the City of London, effective on that date. The by-law enacts that the assets and liabilities of the Commission become those of the City, without compensation.

The tangible capital assets have been disposed of in the Commission and have been transferred to the City at their net book value. The remaining net financial assets have been transferred to the City at cost.

2. Significant accounting policies:

The financial statements of The Public Utility Commission of the City of London are the representation of management prepared in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Accounting Handbook. Significant accounting policies are as follows:

(a) Basis of accounting:

The Commission follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of business.

2. Significant accounting policies (continued):

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life – Years
Land improvements	15

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates of historical costs and useful lives of tangible capital assets were required in the implementation of Public Sector Accounting Handbook PS3150.

Actual results could differ from these estimates.

(d) Liability for contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

3. Contingent liability:

The Commission is liable for the environmental remediation of the land. The coal tar material present in land held by the Commission is attributable to coal gasification works existing at this location between approximately 1850 and 1930 and identified in a 1987 inventory of coal gasification sites in Ontario by the provincial Ministry of the Environment (MOE).

The Commission is engaged in an ongoing environmental remediation program and related risk management strategy that addresses the presence of historic coal tar in a section of the bed and bank of the south branch of the Thames River and in two adjacent parcels of Commission-owned land. In this context:

- A collection system was completed in November 2000 to intercept coal tar- impacted ground water for treatment by an on-site facility which is situated on the smaller parcel.
- A hard-surfaced parking lot was constructed on the larger of the two parcels and is being operated as a municipal parking lot.
- Coal tar removal and river bed rehabilitation has been satisfactorily completed and a monitoring program which started in 2004 is in place.

Future costs for the remediation include operations of the coal tar treatment system, which will carry an ongoing monthly cost for an indeterminate time.

4. Related party transactions and balances:

(a) The Commission has an annual rental of land to London Hydro Inc. at $100,000 per annum. In 2018, the rental revenue recorded is $79,178 for the period from January 1, 2018 to October 16, 2018 (Note 1).

(b) The Commission incurs an annual administrative services expense in the amount of $75,000 (2016 - $75,000). This service is provided by The Corporation of the City of London and has been included in general government expenses in the Statement of Operations.

(c) The Commission has contracted with The Corporation of the City of London for the operation of the Commission's public parking lot whereby the Commission receives a percentage of net revenue.

The following amounts are receivable from related parties:

	October 16, 2018	December 31, 2017
Due from City of London	**$ -**	$ 276,889

4. Related party transactions (continued):

(d) A promissory note from London Hydro Inc. to the City of London for $70 million was assigned to the Commission subject to several conditions. On November 28, 2014, the promissory note was extinguished through payment by London Hydro to the City of London.

As part of the transaction, the City and the Commission entered into a Funding Agreement. The agreement ensures that the $70 million will be held by the City on terms consistent with the earlier pledge of undertaking/assignment of the promissory note from the City to the Commission.

The agreement acknowledges that the Commission has retained ownership of and responsibility for lands contaminated by prior owners with coal tar and that the full $70 million payment received by the City from London Hydro under the promissory note will be held by the City for the Commission for the following purposes:

(i) The investigation, remediation and restoration of the affected lands;
(ii) Any related legal proceedings, including proceedings before any court or administrative tribunal; and
(iii) The Commission's actual and reasonable administrative and incidental costs related thereto.

The Funding Agreement provides that the City will maintain the principal amount of the $70 million in a properly managed portfolio in compliance with the City's Investment Policy and the *Municipal Act 2001*. The City will be entitled to use the interest on the funds for its own purposes. The Fund Agreement provides the mechanism where the Commission may request and the City will provide to it funds for the remediation works.

(e) On October 16, 2018, the City resolved at its municipal council meeting to dissolve the Commission. As a result, the Commission transferred financial and non-financial assets to the City as follows:

Tangible capital assets, transferred at net book value	$	3,050,338
Net financial assets, transferred at cost		2,185,889
	$	5,236,227

5. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	**Balance at October 16, 2018**
Land	$ 2,921,000	$ -	$ 2,921,000	$ -
Land improvements	2,816,604	-	2,816,604	-
Total	$ 5,737,604	$ -	$ 5,737,604	$ -

Accumulated Amortization	Balance at December 31, 2017	Amortization expense	Disposals	**Balance at October 16, 2018**
Land	$ -	$ -	$ -	$ -
Land improvements	2,593,380	93,886	2,687,266	-
Total	$ 2,593,380	$ 93,886	$ 2,687,266	$ -

	Net book value December 31, 2017	**Net book value October 16, 2018**
Land	$ 2,921,000	$ -
Land improvements	223,224	-
Total	$ 3,144,224	$ -

6. Accumulated surplus:

	October 16, 2018	December 31, 2017
Surplus:		
Invested in tangible capital assets	$ -	$ 3,144,224
Total invested in tangible capital assets	-	3,144,224
Reserves set aside by Commission:		
Contingency reserve	-	2,151,072
Total reserves	-	2,151,072
Total surplus	$ -	$ 5,295,296

Financial Statements of

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM

December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Elgin Area Primary Water Supply System

Opinion

We have audited the financial statements of Elgin Area Primary Water Supply System (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations for the year then ended;
- the statement of changes in net debt for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Due from the Corporation of the City of London (note 3)	**$ 9,700,078**	$ 9,429,037
Trade and other receivables	**2,122,110**	$ 1,043,074
Loan receivable (note 10)	**229,190**	$ -
Total financial assets	**12,051,378**	10,472,111
Financial liabilities		
Accounts payable and accrued liabilities	**2,163,740**	1,745,577
Deferred revenue (note 4)	**-**	860,379
Accrued interest on long-term debt	**102,436**	134,922
Long-term debt (note 5)	**14,269,676**	17,265,612
Total financial liabilities	**16,535,852**	20,006,490
Net debt	**(4,484,474)**	(9,534,379)
Non-financial assets		
Tangible capital assets (note 6)	**68,147,998**	69,506,456
Prepaid expenses	**86,181**	92,629
Total non-financial assets	**68,234,179**	69,599,085
Accumulated surplus (note 7)	**$ 63,749,705**	$ 60,064,706

See accompanying notes to financial statements

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Operations
Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenues			
User charges	$ 11,915,561	**$ 12,403,077**	$ 11,663,959
Investment income	6,000	**182,352**	122,513
Transfer payments:			
Provincial	-	**860,379**	654,312
Federal	-	**1,060,358**	649,048
Other (note 10)	4,000	**129,815**	154,814
Total revenues	11,925,561	**14,635,981**	13,244,646
Expenses			
Salaries, wages and benefits	791,303	**667,733**	509,572
Materials and supplies	5,711,250	**5,560,667**	5,389,531
Contracted services	98,500	**548,747**	705,777
Rents and financial expenses	58,250	**57,239**	43,890
Interest on long-term debt (note 5)	423,056	**436,484**	489,942
Amortization of tangible capital assets (note 6)	-	**3,471,860**	3,534,210
Administrative charges to the Corporation of the City of London	208,252	**208,252**	203,174
Total expenses	7,290,611	**10,950,982**	10,876,096
Annual surplus	4,634,950	**3,684,999**	2,368,550
Accumulated surplus, beginning of year (note 7)	60,064,706	**60,064,706**	57,696,156
Accumulated surplus, end of year (note 7)	$ 64,699,656	**$ 63,749,705**	$ 60,064,706

See accompanying notes to financial statements

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Change in Net Debt
Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus	$ 4,634,950	**$ 3,684,999**	$ 2,368,550
Acquisition of tangible capital assets	(2,115,000)	**(2,113,402)**	(1,915,730)
Amortization of tangible capital assets	-	**3,471,860**	3,534,210
	2,519,950	**5,043,457**	3,987,030
Change in prepaid expenses	-	**6,448**	(25,521)
Change in net debt	2,519,950	**5,049,905**	3,961,509
Net debt, beginning of year	(9,534,379)	**(9,534,379)**	(13,495,888)
Net debt, end of year	$ (7,014,429)	**$ (4,484,474)**	$ (9,534,379)

See accompanying notes to financial statements

ELGIN AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Cash Flows
Year ended December 31, 2018, with comparative information for 2017

		2018		2017
Cash provided by:				
Operating activities:				
Annual surplus	**$**	**3,684,999**	$	2,368,550
Items not involving cash:				
Amortization of tangible capital assets		**3,471,860**		3,534,210
Amortization of debenture discount		**27,783**		24,496
Changes in non-cash assets and liabilities:				
Due from the Corporation of the City of London		**(271,041)**		(4,699,440)
Prepaid expenses		**6,448**		(25,521)
Trade and other receivables		**(1,079,036)**		1,634,850
Accounts payable and accrued liabilities		**418,163**		(2,265,054)
Deferred revenue		**(860,379)**		(654,312)
Accrued interest on long-term debt		**(32,486)**		1,318
Net change in cash from operating activities		**5,366,311**		(80,903)
Capital activities:				
Purchase of tangible capital assets		**(2,113,402)**		(1,915,730)
Cash used in capital activities		**(2,113,402)**		(1,915,730)
Financing activities:				
Proceeds from issuance of long-term debt		**-**		4,527,312
Long-term debt repayments		**(3,023,719)**		(2,515,328)
Decrease in other liability		**-**		(15,351)
Loan receivable		**(229,190)**		-
Cash provided by financing activities		**(3,252,909)**		1,996,633
Net change in cash flows	$	-	$	-

See accompanying notes to financial statements

1. Nature of reporting entity

The Ontario Water Resources Commission (the "Commission") of the Province of Ontario constructed, owned and operated a water treatment plant on Lake Erie and pipeline to the City of St. Thomas and the Ford Talbotville Assembly Plant on or about 1967. The Ministry of the Environment (the "Ministry") was created in about 1973 and assumed all operations and activities of the Commission. In or about 1991, operational related activities (water and wastewater systems) of the Ministry were transferred to the Ontario Clean Water Agency, a Crown corporation of the Province of Ontario. In accordance with agreements with the associated municipalities, the Ministry extended pipelines to the present communities of Port Burwell, Port Stanley, and Southwold, and in 1996 to the City of London and the Town of Aylmer.

In accordance with the *Municipal Water and Sewage Systems Transfer Act, 1997*, the final Transfer Order for Elgin Area Primary Water Supply System (the "Entity") was effective on November 29, 2000.

Under the transfer order, the works, properties and all assets, liabilities, rights and obligations of the system were transferred jointly to The Corporation of the City of London, The Corporation of the Town of Aylmer, The Corporation of the Municipality of Bayham, The Corporation of the Municipality of Central Elgin, The Corporation of the Township of Malahide, The Corporation of the Township of Southwold and The Corporation of the City of St. Thomas. The Corporation of the City of London (the "Corporation") was named as the administering municipality. The Corporation of the Municipality of Dutton Dunwich joined the joint board of management in 2018. However, the appointment and voting structure is pending until the June 2019 board meeting.

The transfer order established a joint board of management to govern the management of the water supply system. The joint board of management is comprised of seven members appointed by the respective councils of participating municipalities. The Board composition is as follows:

Municipality	Members	Votes
• The Corporation of the City of London	3	3
• The Corporation of the City of St. Thomas	2	2
• The Corporations of the Township of Southwold and the Municipality of Central Elgin (acting jointly)	1	1
• The Corporations of the Municipality of Bayham, Township of Malahide and Town of Aylmer (acting jointly)	1	1

2. Significant accounting policies

The financial statements of the Entity are prepared by management in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Handbook - Accounting. Significant accounting policies are as follows:

(a) Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting.

(b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

2. Significant accounting policies (continued)

(b) Non-financial assets (continued)

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings and building improvements	15 – 40
Vehicles	5 – 15
Machinery and equipment	7 – 20
Water infrastructure	10 – 60
Computers	3

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

ii) Interest capitalization

The interest costs associated with the acquisition or construction of a tangible capital asset are not capitalized.

(c) Revenue recognition

The Entity recognizes revenue when water is drawn by each customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(d) Government transfers

Government transfer payments to the Corporation are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performance. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

2. Significant accounting policies (continued)

(f) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(g) Liability for contaminated sites

Under PS 3260, contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(h) Related Party Disclosures

The Entity adopted Public Sector Accounting Board Standard PS 2200 *Related Party Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(i) Inter-entity Transactions

The Entity adopted Public Sector Accounting Board standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

3. Due from the Corporation of the City of London

As the Administering Municipality, the Corporation manages the daily operations of the Entity. The Corporation maintains a separate general ledger on behalf of the Entity. All funds are paid and received through the Corporation's bank account and held for use by the Entity or payable to the Corporation for expenses paid on behalf of the Entity.

4. Deferred revenue

	2018	2017
Provincial HELP Funding	**$ -**	$ 860,379

5. Long-term debt

(a) Long-term debt is stated as follows:

	2018	2017
Long-term debt assumed by The Corporation of the City of London, as administering municipality, on behalf of the Elgin Area Primary Water Supply System, with semi-annual interest payments:		
(a) at rates of 5.875%, maturing August 2018.	**$ -**	$ 891,000
(b) at rates ranging from 2.30% to 3.20%, maturing September 2022.	**4,513,350**	5,573,700
(c) at rates ranging from 1.20% to 2.70%, maturing March 2026.	**5,711,481**	6,362,222
(d) at rates ranging from 1.15% to 2.85%, maturing March 2027.	**4,135,914**	4,557,542
Total long-term debt	**$ 14,360,745**	$ 17,384,464
Less: Unamortized debenture discount	**(91,069)**	(118,852)
Net long-term debt	**$ 14,269,676**	$ 17,265,612

(b) The long-term debt repayment schedule is as follows:

2019	2,177,530
2020	2,223,979
2021	2,272,512
2022	2,323,163
2023	1,176,125
2024 and beyond	4,187,436

5. Long-term debt (continued)

(c) Total interest charges for the year for long-term debt which are reported on the Statement of Operations are as follows:

	2018	2017
Interest	**$ 408,701**	$ 465,446
Amortization of debenture discount	**27,783**	24,496
	$ 436,484	$ 489,942

6. Tangible capital assets

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	$ 1,251,559	$ -	$ -	$ 1,251,559
Buildings and building improvements	29,113,368	268,050	34,967	29,346,451
Machinery and equipment	36,117,333	1,593,094	1,637,528	36,072,899
Vehicles	32,425	-	-	32,425
Water infrastructure	24,260,316	-	-	24,260,316
Computers	-	89,732	-	89,732
Assets under construction	194,945	302,051	139,525	357,471
Total	$ 90,969,946	$ 2,252,927	$ 1,812,020	$ 91,410,853

Accumulated Amortization	Balance at December 31, 2017	Amortization expense	Disposals	Balance at December 31, 2018
Land	$ -	$ -	$ -	$ -
Buildings and building improvements	5,991,664	860,174	34,967	6,816,871
Machinery and equipment	12,528,643	2,163,723	1,637,528	13,054,838
Vehicles	21,723	1,646		23,369
Water infrastructure	2,921,460	431,321	-	3,352,781
Computers	-	14,996	-	14,996
Assets under construction	-	-	-	-
Total	$ 21,463,490	$ 3,471,860	$ 1,672,495	$ 23,262,855

	Net book value December 31, 2017	Net book value December 31, 2018
Land	$ 1,251,559	$ 1,251,559
Buildings and building improvements	23,121,704	22,529,580
Machinery and equipment	23,588,690	23,018,061
Vehicles	10,702	9,056
Water infrastructure	21,338,856	20,907,535
Computers	-	74,736
Assets under construction	194,945	357,471
Total	$ 69,506,456	$ 68,147,998

6. Tangible capital assets (continued)

(a) Assets under construction

Assets under construction with a net book value of $357,471 (2017 - $194,945) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Write-down of tangible capital assets

There were no write-downs in tangible capital assets during the year.

7. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	**$ 53,353,315**	$ 50,212,366
Total surplus	**53,353,315**	50,212,366
Reserve funds set aside for specific purpose by the Board:		
Infrastructure renewal - water operations	**10,396,390**	9,852,340
Total reserve funds	**10,396,390**	9,852,340
	$ 63,749,705	$ 60,064,706

8. Financial instruments

(a) The carrying values of due from the Corporation of the City of London, trade accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair value of long-term debt approximates its carrying value as interest rates are similar to current market rates of interest available to the Entity.

(b) Financial risks:

The Entity is not exposed to any significant interest, foreign currency or credit risks arising from its financial instruments.

9. Budget data

Budget data presented in these financial statements are based upon the 2018 operating budget approved by the joint board of management. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

	Budget
Revenues:	
User Charges	$ 11,915,561
Municipal Revenue - Other	10,000
Total Revenues	11,925,561
Expenses:	
Personnel Costs	748,803
Administrative Expenses	60,100
Financial Expenses – Other	160,000
Financial Expenses – Interest and Discount on Long-term Debt	423,056
Financial Expenses – Debt Principal Repayments	3,023,719
Financial Expenses – Transfers to Reserves and Reserve Funds	1,611,231
Purchased Services	317,250
Materials and Supplies	5,337,900
Furniture and Equipment	35,250
Other Expenses	208,252
Recovered Expenses	-
Total Expenses	11,925,561
Annual Surplus (Deficit) as per Budget	**$ -**
PSAB Reporting Requirements:	
Transfers to Reserves and Reserve Funds	$ 1,611,231
Debt Principal Repayments	3,023,719
Net PSAB Budget Surplus as per Financial Statements	**$ 4,634,950**

10. Loan Receivable

	2018	2017
Buy-in Charge Loan – Municipality of Dutton Dunwich	**$ 229,190**	**$ -**
Interest Earned on Loan at prime rate less 1.53%	**$ 5,190**	**$ -**

Effective January 1, 2018, the Municipality of Dutton Dunwich entered into a four-party water supply agreement with the Township of Southwold, the St. Thomas Secondary Water Supply System, and the Elgin Area Water Supply System resulting in a buy-in charge of $252,000. Dutton Dunwich has requested and the Elgin Board has consented to payment of this buy-in charge over a 10 year term bearing interest on the outstanding amount. During the year, $22,810 was received as payment on the loan. This loan is paid quarterly and will mature in December 2027.

Financial Statements of

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM

December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lake Huron Area Primary Water Supply System

Opinion

We have audited the financial statements of Lake Huron Area Primary Water Supply System (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Financial Position
December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Due from the Corporation of the City of London (note 3)	**$ 29,833,381**	$ 23,505,532
Trade and other receivables	**1,908,629**	627,445
Total financial assets	**31,742,010**	24,132,977
Financial liabilities		
Accounts payable and accrued liabilities	**1,912,744**	2,260,810
Deferred revenue (note 4)	**-**	674,777
Accrued interest on long-term debt	**49,253**	54,196
Long-term debt (note 5)	**8,065,505**	9,254,783
Total financial liabilities	**10,027,502**	12,244,566
Net financial assets	**21,714,508**	11,888,411
Non-financial assets		
Tangible capital assets (note 6)	**153,032,700**	157,682,748
Prepaid expenses	**202,510**	206,664
Total non-financial assets	**153,235,210**	157,889,412
Accumulated surplus (note 7)	**$ 174,949,718**	$ 169,777,823

Commitments (note 9)
Contingent liabilities (note 10)

See accompanying notes to financial statements

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Operations
Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Revenues			
User charges	$ 19,922,523	**$ 22,549,736**	$ 21,583,674
Investment income	15,000	**506,101**	297,350
Transfer payments:			
Provincial	-	**674,777**	36,300
Federal	-	**1,077,471**	35,845
Other	5,000	**27,349**	5,314
Total revenues	19,942,523	**24,835,434**	21,958,483
Expenses			
Salaries, wages and benefits	816,803	**691,444**	520,346
Materials and supplies	11,113,505	**10,731,894**	10,396,226
Contracted services	126,000	**352,983**	441,603
Rents and financial expenses	55,750	**72,300**	47,174
Interest on long-term debt (note 5)	181,624	**181,625**	195,819
Amortization of tangible capital assets (note 6)	-	**7,425,041**	7,064,735
Administrative charges to the Corporation of the City of London	208,252	**208,252**	203,173
Total expenses	12,501,934	**19,663,539**	18,869,076
Annual surplus	7,440,589	**5,171,895**	3,089,407
Accumulated surplus, beginning of year (note 7)	169,777,823	**169,777,823**	166,688,416
Accumulated surplus, end of year (note 7)	$ 177,218,412	**$ 174,949,718**	$ 169,777,823

See accompanying notes to financial statements

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Change in Net Financial Assets
Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Annual surplus	$ 7,440,589	**$ 5,171,895**	$ 3,089,407
Acquisition of tangible capital assets	(2,625,000)	**(2,774,993)**	(6,352,470)
Amortization of tangible capital assets	-	**7,425,041**	7,064,735
	4,815,589	**9,821,943**	3,801,672
Change in prepaid expenses	-	**4,154**	(43,368)
Change in net financial assets	4,815,589	**9,826,097**	3,758,304
Net financial assets, beginning of year	11,888,411	**11,888,411**	8,130,107
Net financial assets, end of year	$ 16,704,000	**$ 21,714,508**	$ 11,888,411

See accompanying notes to financial statements

LAKE HURON AREA PRIMARY WATER SUPPLY SYSTEM
Statement of Cash Flows
Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by:		
Operating activities:		
Annual surplus	$ 5,171,895	$ 3,089,407
Items not involving cash:		
Amortization of tangible capital assets	7,425,041	7,064,735
Amortization of debenture discount	8,200	8,066
Changes in non-cash assets and liabilities:		
Due from the Corporation of the City of London	(6,327,849)	(2,804,625)
Prepaid expenses	4,154	(43,368)
Trade and other receivables	(1,281,184)	425,719
Accounts payable and accrued liabilities	(348,066)	(613,967)
Deferred revenue	(674,777)	(36,300)
Accrued interest on long-term debt	(4,943)	(1,688)
Net change in cash from operating activities	3,972,471	7,087,979
Capital activities:		
Purchase of tangible capital assets	(2,774,993)	(6,352,470)
Cash used in capital activities	(2,774,993)	(6,352,470)
Financing activities:		
Proceeds from issuance of long term debt	-	404,232
Long-term debt repayments	(1,197,478)	(1,139,741)
Cash used in financing activities	(1,197,478)	(735,509)
Net change in cash flows	$ -	$ -

See accompanying notes to financial statements

1. Nature of reporting entity

The final transfer order for Lake Huron Area Primary Water Supply System (the “Entity) was effective September 15, 2000, transferring assets along with any other real property to The Corporation of the City of London (the “Corporation”) in trust to act as the Administering Municipality on behalf of the participating municipalities.

Under the transfer order, the works, properties and all assets, liabilities, rights and obligations of the system are conveyed, assigned and transferred to the Corporation as Trustee. Each of the benefitting municipalities, for so long as the municipality is serviced by the works has an undivided beneficial ownership interest in the works as tenant in common with all other municipalities jointly. The proportion that each municipality’s interest bears to the total of all municipalities’ interests shall be in the same ratio that the quantity of water supplied from the works to the municipalities at any time and from time to time bears to the total quantity of water supplied to all municipalities at such time. At present, the benefitting municipalities are The City of London, the Municipalities of Bluewater, South Huron, Lambton Shores, North Middlesex, Lucan-Biddulph, Middlesex Centre and Strathroy-Caradoc.

The transfer order established a joint board of management to govern the management of the water supply system. The joint board of management is comprised of eleven members appointed by the respective councils of participating municipalities. The Board composition is as follows:

Municipality	Members	Votes
The City of London	4	17
Bluewater	1	1
South Huron	1	1
Lucan-Biddulph	1	1
Lambton Shores	1	1
North Middlesex	1	3
Middlesex Centre	1	1
Strathroy-Caradoc	1	3

2. Significant accounting policies

The financial statements of the Entity are prepared by management, in accordance with Canadian generally accepted accounting principles as defined in the CPA Canada Public Sector Handbook – Accounting. Significant accounting policies are as follows.

(a) Accrual accounting

Sources of financing and expenses are reported on the accrual basis of accounting.

(b) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

2. Significant accounting policies (continued)

(b) Non-financial assets (continued)

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Buildings and building improvements	15 – 40
Vehicles	5 – 15
Machinery and equipment	7 – 20
Water infrastructure	10 – 60
Computers	3

Annual amortization is charged in the year of acquisition and in the year of disposal using the half year rule. Assets under construction are not amortized until the asset is available for productive use.

ii) Interest capitalization

The interest costs associated with the acquisition or construction of a tangible capital asset are not capitalized.

(c) Revenue recognition

The Entity recognizes revenue when water is drawn by each customer, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(d) Government transfers

Government transfer payments to the Corporation are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the valuation allowances for receivables and useful lives assigned to tangible capital assets.

Actual results could differ from those estimates.

2. Significant accounting policies (continued)

(f) Budget figures

Budget figures have been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB"), certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(g) Liability for contaminated sites

Under PS 3260, liability for contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(h) Related Party Disclosures

The Entity adopted Public Sector Accounting Board Standard PS 2200 *Related Party Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard defines related party and provides disclosure requirements. Disclosure is only required when the transactions or events between related parties occur at a value different from what would have been recorded if they were not related and the transactions could have a material financial impact on the financial statements. The standard also requires disclosure of related party transactions that have occurred where no amounts have been recognized. The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

(i) Inter-entity Transactions

The Entity adopted Public Sector Accounting Board standard PS 3420 *Inter-entity Transactions* effective for fiscal periods beginning on or after April 1, 2017. The standard specifies how to account for transactions between public sector entities within the government reporting entity.

Transactions undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length are recorded at the exchange amount. Transfers of an asset or liability at nominal or no consideration is recorded by the provider at the carrying amount and the recipient has the choice of using either the carrying amount or fair value. Cost allocations are reported using the exchange amount and revenues and expenses are reported on a gross basis. Unallocated costs for the provision of goods or services may be recorded by the recipient at the carrying amount or fair value unless otherwise dictated by policy, accountability structure or budget practice.

All other transactions are measured at the carrying amount.

The Entity adopted this standard on a prospective basis and there were no adjustments as a result of the adoption of this standard.

3. Due from the Corporation of the City of London

As the Administering Municipality, the Corporation manages the daily operations of the Entity. The Corporation maintains a separate general ledger on behalf of the Entity. All funds are paid and received through the Corporation's bank account and are held for use by the Entity.

4. Deferred revenue

	2018	2017
Provincial HELP Funding	**$ -**	$ 674,777

5. Long-term debt

(a) Long-term debt is stated as follows:

	2018	2017
Long-term debt assumed by The Corporation of the City of London, as administering municipality, on behalf of the Lake Huron Area Primary Water Supply System, with semi-annual interest payments:		
(a) at rates ranging from 2.30% to 3.20%, maturing September 2022.	**$ 752,225**	$ 928,950
(b) at rates ranging from 2.40% to 3.80%, maturing September 2023.	**798,930**	946,560
(c) at rates ranging from 0.90% to 2.25%, maturing March 2025.	**6,194,298**	7,029,775
(d) at rates ranging from 1.15% to 2.85%, maturing March 2027.	**369,285**	406,931
Total long-term debt	**8,114,738**	9,312,216
Less: Unamortized debenture discount	**(49,233)**	(57,433)
Net long-term debt	**$ 8,065,505**	$ 9,254,783

(b) The long-term debt repayment schedule is as follows:

2019	$	1,218,241
2020		1,239,448
2021		1,261,262
2022		1,283,326
2023		1,106,232
2024 & beyond		2,006,229

(c) Total charges for the year for long-term debt which are reported on the Statement of Operations are as follows:

	2018	2017
Interest	**$ 173,425**	$ 187,753
Amortization of debenture discount	**8,200**	8,066
	$ 181,625	$ 195,819

6. Tangible capital assets

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Land	$ 1,843,513	$ -	$ -	$ 1,843,513
Buildings and building improvements	55,080,808	477,163	4,623	55,553,348
Machinery and equipment	41,662,313	1,672,689	63,928	43,271,074
Vehicles	32,425	-	-	32,425
Water infrastructure	117,668,542	368,120	-	118,036,662
Computers	-	85,620	-	85,620
Assets under construction	196,290	281,359	109,958	367,691
Total	$ 216,483,891	$ 2,884,951	$ 178,509	$ 219,190,333

Accumulated Amortization	Balance at December 31, 2017	Amortization expense	Disposals	Balance at December 31, 2018
Land	$ -	$ -	$ -	$ -
Buildings and building improvements	13,732,784	2,183,528	4,623	15,911,689
Machinery and equipment	18,007,098	3,016,748	63,928	20,959,918
Vehicles	21,723	1,646	-	23,369
Water infrastructure	27,039,538	2,208,810	-	29,248,348
Computers	-	14,309	-	14,309
Assets under construction	-	-	-	-
Total	$ 58,801,143	$ 7,425,041	$ 68,551	$ 66,157,633

	Net book value December 31, 2017	Net book value December 31, 2018
Land	$ 1,843,513	$ 1,843,513
Buildings and building improvements	41,348,024	39,641,659
Machinery and equipment	23,655,215	22,311,156
Vehicles	10,702	9,056
Water infrastructure	90,629,004	88,788,314
Computers	-	71,311
Assets under construction	196,290	367,691
Total	$ 157,682,748	$ 153,032,700

6. Tangible capital assets (continued)

(a) Assets under construction

Assets under construction with a net book value of $367,691 (2017 - $196,290) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

(b) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

(c) Write-down of tangible capital assets

There were no write-downs in tangible capital assets during the year (2017 – nil).

7. Accumulated surplus

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2018	2017
Surplus:		
Invested in tangible capital assets	**$142,376,307**	$143,711,823
Total surplus	**142,376,307**	143,711,823
Reserve funds set aside for specific purpose by the Board:		
Infrastructure renewal - water operations	**$ 32,573,411**	$ 26,066,000
Total reserve funds	**32,573,411**	26,066,000
	$174,949,718	$169,777,823

8. Financial instruments

(a) The carrying values of due from the Corporation of the City of London, trade and other receivables and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

The fair value of long-term debt approximates its carrying value as interest rates are similar to current market rates of interest available to the Entity.

(b) Financial risks

The Entity is not exposed to any significant interest, foreign currency or credit risks arising from its financial instruments.

9. Commitments

Derivatives

The Entity has the following derivative:

- Contract with one block negotiated May 5, 2017, with a daily electricity purchase of 24 megawatt hours. Covering the period of November 1, 2018 to August 31, 2021, remaining contract cost at December 31, 2018 is $689,832 (2017 - $219,938 under contract expired October 31, 2018).

This derivative contract was purchased to ensure price certainty for 26% of the Entity's electricity needs over the term of the contract. The value of the contract is not reflected as an asset or liability in these financial statements.

10. Contingent liabilities

There are certain claims pending against the Entity as at December 31, 2018. The final outcome of these claims cannot be determined at this time, however management believes that settlement of these matters will not materially exceed amounts recorded in these financial statements.

11. Budget Data

Budget data presented in these consolidated financial statements are based upon 2018 operating budget approved by the joint board of management. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these financial statements.

		Budget
Revenues		
User charges	$	19,922,523
Municipal Revenues - Other		20,000
Total revenues		19,942,523
Expenses		
Personnel Costs		748,803
Administrative Expenses		86,100
Financial Expenses - Other		269,500
Financial Expenses - Interest and Discount on LTD		181,624
Financial Expenses - Debt Principal Repayments		1,197,478
Financial Expenses - Transfers to Reserves and Reserve Funds		6,243,111
Purchased Services		568,750
Materials and Supplies		10,403,655
Furniture and Equipment		35,250
Other Expenses		208,252
Recovered Expenses		-
Total expenses		19,942,523
Net surplus (deficit) as per Budget	**$**	**-**
PSAB Reporting Requirements:		
Transfers to Reserves and Reserve Funds	$	6,243,111
Debt principal repayments		1,197,478
Net PSAB Budget surplus as per Financial Statements	**$**	**7,440,589**

2018 FINANCIAL INFORMATION RETURN

Municipality: London C
Tier: Single-Tier
Area: Middlesex Co

MSO Office: Western Ontario
Asmt Code: 3936
MAH Code: 59101

Submitting: FIR Schedules Only
Version: 2018.01001

DECLARATION OF THE MUNICIPAL TREASURER

Pursuant to the information required by the Province of Ontario under the Municipal Affairs Act, the following schedules are attached:

Schedule	Title		Completion
10	CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE		
12	GRANTS, USER FEES AND SERVICE CHARGES		
20	TAXATION INFORMATION		
22	MUNICIPAL AND SCHOOL BOARD TAXATION		
24	PAYMENTS-IN-LIEU OF TAXATION		
26	TAXATION AND PAYMENTS-IN-LIEU SUMMARY		
28	UPPER-TIER ENTITLEMENTS	UPPER-TIER ONLY	
40	CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES		
42	ADDITIONAL INFORMATION		
51	SCHEDULE OF TANGIBLE CAPITAL ASSETS		
53	CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT) AND TANGIBLE CAPITAL ASSET ACQUISITION FINANCING/DONATIONS		
54	CONSOLIDATED STATEMENT OF CASH FLOW (SELECT DIRECT OR INDIRECT METHOD)		
60	CONTINUITY OF RESERVES AND RESERVE FUNDS		
61	DEVELOPMENT CHARGES RESERVE FUNDS		
62	DEVELOPMENT CHARGES RATES (INCLUDING SPECIAL AREAS)		
70	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
72	CONTINUITY OF TAXES RECEIVABLE	SINGLE/LOWER-TIER ONLY	
74	LONG TERM LIABILITIES AND COMMITMENTS		
76	GOVERNMENT BUSINESS ENTERPRISES (GBE)		
77	OTHER ENTITIES (DSSAB, HEALTH UNIT, OTHER AND TOTAL ALL)		
79	COMMUNITY IMPROVEMENT PLANS		
80	STATISTICAL INFORMATION		
81	ANNUAL DEBT REPAYMENT LIMIT		
83	NOTES		

For the purposes of this Financial Information Return, the amounts disclosed on the attached schedules are in agreement with the books and records of the municipality and its consolidated entities.

This Financial Information Return has been prepared in accordance with the Financial Information Return instructions.

Questions regarding the information contained in the Schedules should be addressed to:

0020	Name	Sharon Swance
0022	Telephone	519-661-2489 ext 0146
0024	Fax	519-661-5932
0028	Email **(Required)**	sswance@london.ca
0030	Website address of Municipality	www.london.ca
0091	Municipal Auditor	Katie denBok
0092	Municipal Audit Firm	KPMG LLP
0095	Municipal Auditor's Email **(Required)**.	kdenbok@kpmg.ca
0090	Municipal Treasurer	Anna Lisa Barbon
0093	Municipal Treasurer's Email **(Required)**.	abarbon@london.ca
0094	Date	6/10/2019

Signature of Municipal Treasurer

Signature | Date

0070	Outstanding In-Year Critical Errors	0
0075	Schedule 54: Cashflow - Direct or Indirect Method Chosen.	INDIRECT
0077	Method used to allocate Program Support to other functions in Schedule 40	OMBI Method
0078	If "Other Method" is selected in line 0077, please describe method of allocating Program Support	

	Municipal Data	Municipal Data 1 (#)	Data Source 2 (List)
0040	Households	176,859	Stats Can
0041	Population	393,167	Municipal
0042	Youth Population	86,424	Municipal

FIR2018: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2018

	STATEMENT OF OPERATIONS: REVENUE		Own Purposes Revenue 1 $
	Property Taxation		
0299	**Taxation - Own Purposes** (SLC 26 9199 04 - 72 2899 07) For UT (SLC 28 0299 12 - 28 0299 08)		595,322,066
0499	**Payments-In-Lieu of Taxation** (SLC 26 9599 08) For UT (SLC 28 0299 08)		9,390,026
9940		**Subtotal**	604,712,092
0510	Estimated tax revenue		
0620	Ontario Municipal Partnership Fund (OMPF)		0
0625	Revenue from Cannabis		
0695	Other		
0696	Other		
0697	Other		
0698	Other		
0699		**Subtotal**	0
	Conditional Grants		
0810	Ontario conditional grants (SLC 12 9910 01)		245,893,052
0815	Ontario Grants for Tangible Capital Assets (SLC 12 9910 05)		7,673,695
0820	Canada conditional grants (SLC 12 9910 02)		5,734,351
0825	Canada Grants for Tangible Capital Assets (SLC 12 9910 06)		43,280,693
0830	Deferred revenue earned (Provincial Gas Tax) (SLC 60 1042 01 + SLC 60 1045 01)		16,109,391
0831	Deferred revenue earned (Canada Gas Tax) (SLC 60 1047 01)		7,000,835
0899		**Subtotal**	325,692,017
1098	**Revenue from other municipalities for Tangible Capital Assets** (SLC 12 9910 07)		0
1099	**Revenue from other municipalities** (SLC 12 9910 03)		5,644,124
1299	**Total User Fees and Service Charges** (SLC 12 9910 04)		253,022,322
	Licences, permits, rents, etc.		
1410	Trailer revenue and permits		
1420	Licences and permits		10,013,760
1430	Rents, concessions and franchises		23,024,798
1431	Royalties		
1432	Green Energy		
1498	Other	Other	291,848
1499		**Subtotal**	33,330,406
	Fines and penalties		
1605	Provincial Offences Act (POA) *Municipality which administers POA only*		6,151,853
1610	Other fines		3,443,714
1620	Penalties and interest on taxes		4,540,470
1698	Other		
1699		**Subtotal**	14,136,037
	Other revenue		
1805	Investment income		6,834,235
1806	Interest earned on reserves and reserve funds		11,793,474
1811	Gain/Loss on sale of land & capital assets		29,819
1812	Deferred revenue earned (Development Charges) (SLC 60 1025 01 + SLC 60 1026 01)		49,986,466
1813	Deferred revenue earned (Recreational land (The Planning Act)) (SLC 60 1032 01 + SLC 60 1035 01)		99,450
1814	Other Deferred revenue earned		0
1830	Donations		1,310,207
1831	Donated Tangible Capital Assets (SLC 53 0610 01)		73,284,511
1840	Sale of publications, equipment, etc.		542,229
1850	Contributions from non-consolidated entities		0
1865	Other Revenues from Government Business Enterprise (ie. Dividends, etc.)		0
1870	Gaming and Casino Revenues		4,869,904
1890	Other		0
1891	Other		0
1892	Other		0
1893	Other		0
1894	Other		
1895	Other	Other	29,491
1896	Other	Other	1,572,670
1897	Other	Other	21,649,685
1898	Other		
1899		**Subtotal**	172,002,141
1880	Municipal Land Transfer Tax (City of Toronto Act, 2006)		0
1885	**Transient Accommodation Tax**		**850,799**
1905	Increase/Decrease in Government Business Enterprise equity		13,404,575
9910		**TOTAL Revenues**	1,422,794,513

FIR2018: London C

Schedule 10

Asmt Code: 3936

CONSOLIDATED STATEMENT OF OPERATIONS: REVENUE

MAH Code: 59101

for the year ended December 31, 2018

	Continuity of Accumulated Surplus/(Deficit)	1 $
2010	PLUS: Total Revenues (SLC 10 9910 01)	1,422,794,513
2020	LESS: Total Expenses (SLC 40 9910 11)	1,150,402,512
2030	PLUS:	0
2040	PLUS:	0
2045	PLUS: PSAB Adjustments	
2099	Annual Surplus/(Deficit)	272,392,001
2060	Accumulated surplus/(deficit) at the beginning of year	4,044,354,972
2061	Prior period adjustments	0
2062	Restated accumulated surplus/(deficit) at the beginning of year	4,044,354,972
9950	Accumulated surplus/(deficit) at the end of year (SLC 10 2099 01 + SLC 10 2062 01)	4,316,746,973

	Continuity of Government Business Enterprise Equity	1 $
6010	Government Business Enterprise Equity, beginning of year	180,976,903
6020	PLUS: Net Income for Government Business Enterprise for year	13,404,575
6060	PLUS: Other	-5,000,000
6090	Government Business Enterprise Equity, end of year	189,381,478

Total of line 0899 includes:

	Provincial Gas Tax Funding	1 $
4018	Provincial Gas Tax for Transit operating expenses	11,697,054
4019	Provincial Gas Tax for Transit capital expenses	4,412,337
4020	Provincial Gas Tax	16,109,391

Total of line 0899 includes:

	Canada Gas Tax Funding	1 $
4025	General Government	404,186
	Transportation Services:	
4030	Roads - Paved	14,528,624
4031	Roads - Unpaved	0
4032	Roads - Bridges and Culverts	3,618,030
4033	Roadways - Traffic Operations & Roadside	3,913,842
4040	Transit - Conventional	2,356,325
4041	Transit - Disabled & special needs	0
4045	Air transportation	0
4046	Other	0
	Environmental Services:	
4060	Wastewater collection/conveyance	639,817
4061	Wastewater treatment & disposal	3,659,753
4062	Urban storm sewer system	6,278
4063	Rural storm sewer system	0
4064	Water treatment	0
4065	Water distribution/transmission	3,341,949
4066	Solid waste collection	0
4067	Solid waste disposal	5,852,527
4068	Waste diversion	0
4069	Other	0
4075	Recreation Facilities - All Other	3,589,809
4076	Cultural services	0
4080	Commercial and industrial	0
4099	**Canada Gas Tax**	41,911,140

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 12
GRANTS, USER FEES AND SERVICE CHARGES
for the year ended December 31, 2018

Code	Item	Ontario Conditional Grants 1 $	Canada Conditional Grants 2 $	Other Municipalities 3 $	User Fees and Service Charges 4 $	Ontario Grants - Tangible Capital Assets 5 $	Canada Grants - Tangible Capital Assets 6 $	Other Municipalities - Tangible Capital Assets 7 $
0299	**General government**	1,602,185	0	24,900	2,063,176	0	0	0
	Protection services							
0410	Fire	0	0	0	228,617	0	0	0
0420	Police	6,092,376	1,924	0	1,499,448	0	0	0
0421	Court Security	0	0	0	0	0	0	0
0422	Prisoner Transportation	0	0	0	0	0	0	0
0430	Conservation authority	0	0	0	0	0	0	0
0440	Protective inspection and control	0	0	0	821,700	0	0	0
0445	Building permit and inspection services	0	0	0	80,695	0	0	0
0450	Emergency measures	0	0	0	0	0	0	0
0460	Provincial Offences Act (POA)			0				
0498	Other POA Grant	3,735	0	0	0	0	0	0
0499	**Subtotal**	6,096,111	1,924	0	2,630,460	0	0	0
	Transportation services							
0611	Roads - Paved	0	0	0	477,592	0	14,175,626	0
0612	Roads - Unpaved	0	0	0	7,941	0	0	0
0613	Roads - Bridges and Culverts	0	0	0	127,689	0	818,796	0
0614	Roads - Traffic Operations & Roadside	0	0	0	100,049	0	3,913,842	0
0621	Winter Control - Except sidewalks, Parking Lots	0	0	0	489,120	0	0	0
0622	Winter Control - Sidewalks, Parking Lots Only	0	0	0	77,451	0	0	0
0631	Transit - Conventional	0	3,696,878	0	31,570,604	0	2,356,325	0
0632	Transit - Disabled & special needs	0	0	0	557,811	0	0	0
0640	Parking	0	0	0	3,188,477	0	639,817	0
0650	Street lighting	0	0	0	0	0	3,120,707	0
0660	Air transportation	0	0	0	0	0	0	0
0698	Other Other	0	0	0	0	16,312	6,278	0
0699	**Subtotal**	0	3,696,878	0	36,596,734	16,312	25,031,391	0
	Environmental services							
0811	Wastewater collection/conveyance	9,630	0	13,957	28,075,858	157,739	1,808,816	0
0812	Wastewater treatment & disposal	14,444	0	20,935	42,113,785	2,509,812	5,019,621	0
0821	Urban storm sewer system	8,025	0	11,631	23,396,549	778,569	3,050,476	0
0822	Rural storm sewer system	0	0	0	0	0	0	0
0831	Water treatment	0	0	81,507	28,189,803	466,896	872,232	0
0832	Water distribution/transmission	0	0	463,625	52,040,236	2,947,053	4,741,682	0
0840	Solid waste collection	0	0	0	663,420	0	0	0
0850	Solid waste disposal	0	0	66,338	5,694,661	0	0	0
0860	Waste diversion	0	0	562,337	4,136,913	0	0	0
0898	Other Other	42,500	88,000	3,642	176,921	0	0	0
0899	**Subtotal**	74,599	88,000	1,223,972	184,488,146	6,860,069	15,492,827	0
	Health services							
1010	Public health services	4,600,115	65,574	183,263	0	0	0	0
1020	Hospitals	0	0	0	0	0	0	0
1030	Ambulance services	0	0	0	0	0	0	0
1035	Ambulance dispatch							
1040	Cemeteries	0	0	0	0	0	0	0
1098	Other	0	0	0	0	0	0	0
1099	**Subtotal**	4,600,115	65,574	183,263	0	0	0	0
	Social and family services							
1210	General assistance	147,529,639	1,081,190	0	6,438	27,381	0	0
1220	Assistance to aged persons	12,634,222	0	0	6,187,935	0	0	0
1230	Child care	54,653,427	261,002	0	0	0	0	0
1298	Other Other	0	0	0	98,503	0	0	0
1299	**Subtotal**	214,817,288	1,342,192	0	6,292,876	27,381	0	0
	Social Housing							
1410	Public Housing	3,146,163	0	0	-478,929	0	0	0
1420	Non - Profit/Cooperative Housing	7,066,711	0	4,211,989	0	0	0	0
1430	Rent Supplement Programs	6,593,458	0	0	0	0	0	0
1497	Other	0	0	0	0	0	0	0
1498	Other Other	932,493	2,000	0	0	0	11,010	0
1499	**Subtotal**	17,738,825	2,000	4,211,989	-478,929	0	11,010	0
	Recreation and cultural services							
1610	Parks	0	0	0	0	752,698	2,125,589	0
1620	Recreation programs	29,097	0	0	7,145,185	0	0	0
1631	Recreation facilities - Golf Course, Marina, Ski Hill	0	0	0	2,625,009	0	0	0
1634	Recreation facilities - All Other	128,100	0	0	585,478	17,235	0	0
1640	Libraries	598,829	98,494	0	525,817	0	0	0
1645	Museums	0	41,169	0	0	0	0	0
1650	Cultural services	207,903	388,116	0	620,175	0	274,878	0
1698	Other	0	0	0	0	0	0	0
1699	**Subtotal**	963,929	527,779	0	11,501,664	769,933	2,400,467	0
	Planning and development							
1810	Planning and zoning	0	0	0	1,343,328	0	0	0
1820	Commercial and industrial	0	10,004	0	8,584,867	0	344,998	0
1830	Residential development							
1840	Agriculture and reforestation							
1850	Tile drainage/shoreline assistance							
1898	Other							
1899	**Subtotal**	0	10,004	0	9,928,195	0	344,998	0
1910	Other							
9910	**TOTAL**	245,893,052	5,734,351	5,644,124	253,022,322	7,673,695	43,280,693	0

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 20
TAXATION INFORMATION
for the year ended December 31, 2018

General Information

1. Optional Property Classes in Effect

		2
		Y or N
0202	N New Multi-Residential	N
0205	G Parking Lot (Includes CJ, CR, CX, CY, CZ)	Y
0210	D Office Building	Y
0215	S Shopping Centre	Y
0220	L Large Industrial	Y
0225	Other	N

2. Capping Parameters and Results

		Exit capping immediately	Decrease - Percentage Retained	Tax Adjustment - Increasers	Net Class Impact	Annualized Tax Limit	CVA Tax Limit	CVA Threshold Value for Protected Properties	CVA Threshold Value for Clawed Back Properties	Exclude Properties Previously at CVA Tax	Exclude Properties that go from Capped to Clawed Back	Exclude Properties that go from Clawed Back to Capped
		1	2	3	4	5	6	7	8	9	10	11
		Y or N	%	$	$	%	%	$	$	Y or N	Y or N	Y or N
0320	M Multi-Residential	Y										
0330	C Commercial	N	100.0%	-16,131	-16,131	10.0%	10.0%	500	0	Y	Y	Y
0340	I Industrial	Y										

3. Graduated Taxation (Tax Bands)

		Grad. Tax Rates in Effect?	Number of Tax Bands	Low Band CVA Boundary	Low Band % of Highest Band Rate	Middle Band CVA Boundary	Middle Band % of Highest Band Rate
		2	3	4	5	6	7
		Y or N	#	$	%	$	%
0610	C Commercial	N					
0611	G Parking Lot	N					
0612	D Office Building	N					
0613	S Shopping Centre	N					
0620	I Industrial	N					
0621	L Large Industrial	N					

4. Phase-In Program in Effect (Most recent Phase-In only)

		Phase-In Program in Effect?	Year Current Phase-In Initiated	Term of Current Phase-In
		2	3	4
		Y or N	Year	# of Yrs
0805	R Residential	N		
0810	M Multi-Residential	N		
0815	N New Multi-Residential	N		
0820	C Commercial (Includes G, D, S)	N		
0840	I Industrial (Includes L)	N		
0850	F Farmland	N		
0855	T Managed Forest	N		
0860	P Pipeline	N		

5. Rebates for Eligible Charities

		2
		%
1010	Rebate Percentage for Eligible Charities (SLC 72 2099 xx)	40.0%

6. Property Tax Due Dates for Current Year
To be completed by Single/Lower-tier Municipalities Only

		INTERIM Installments	INTERIM First Due Date	INTERIM Last Due Date	FINAL Installments	FINAL First Due Date	FINAL Last Due Date
		2	3	4	5	6	7
		#	YYYYMMDD	YYYYMMDD	#	YYYYMMDD	YYYYMMDD
1210	R Residential	2	20180228	20180329	3	20180629	20181031
1220	M Multi-Residential	2	20180228	20180329	3	20180629	20181031
1230	F Farmland	2	20180228	20180329	3	20180629	20181031
1240	T Managed Forest	2	20180228	20180329	3	20180629	20181031
1250	C Commercial	2	20180228	20180329	3	20180629	20181031
1260	I Industrial	2	20180228	20180329	3	20180629	20181031
1270	P Pipeline	2	20180228	20180329	3	20180629	20181031
1298	Other: Other	2	20180228	20180329	3	20180629	20181031

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 22
MUNICIPAL and SCHOOL BOARD TAXATION
for the year ended December 31, 2018

1. GENERAL PURPOSE LEVY INFORMATION

		Phase-In Taxable Assessment	LT/ST Taxes	UT Taxes	Education Taxes	TOTAL
9299	TOTAL	42,767,603,627	579,532,110	0	139,089,704	718,621,814

	RTC RTQ	Tax Band	Property Class	Tax Rate Description	Tax Ratio	Percent of Full Rate	CVA Assessment	Phase-In Taxable Assessment	Tax Rates LT / ST	Tax Rates UT	Tax Rates EDUC	Tax Rates TOTAL	Municipal Taxes LT / ST	Municipal Taxes UT	Education Taxes	TOTAL
	1	2	3	4	5	6	7	16	8	9	10	11	12	13	14	15
	LIST	LIST				%	$	$	0.xxxxxx%	0.xxxxxx%	0.xxxxxx%	0.xxxxxx%	$	$	$	$
2001	0	London C														
0010	RT	0	Residential	Full Occupied	1.000000	100%	36,237,722,826	34,855,927,328	1.180819%		0.170000%	1.350819%	411,585,413	0	59,255,076	470,840,489
0031	R1	0	Residential	Farm. Awaiting Devel. - Ph I	1.000000	75%	9,580,800	7,448,500	0.885614%		0.127500%	1.013114%	65,965	0	9,497	75,462
0050	MT	0	Multi-Residential	Full Occupied	1.795800	100%	1,719,181,403	1,572,171,788	2.120515%		0.170000%	2.290515%	33,338,139	0	2,672,692	36,010,831
0061	M1	0	Multi-Residential	Farm. Awaiting Devel. - Ph I	1.000000	75%	9,485,000	7,128,654	0.885614%		0.127500%	1.013114%	63,132	0	9,089	72,221
0110	FT	0	Farmland	Full Occupied	0.118030	100%	501,541,400	373,924,011	0.139372%		0.042500%	0.181872%	521,145	0	158,918	680,063
0140	TT	0	Managed Forest	Full Occupied	0.250000	100%	1,120,900	925,732	0.295205%		0.042500%	0.337705%	2,733	0	393	3,126
0210	CT	0	Commercial	Full Occupied	1.930000	100%	3,133,455,894	2,802,769,079	2.278981%		1.340000%	3.618981%	63,874,575	0	37,557,106	101,431,681
0215	CH	0	Commercial	Full Occupied, Shared PIL	1.930000	100%	17,258,464	15,436,972	2.278981%		1.340000%	3.618981%	351,806	0	206,855	558,661
0231	C1	0	Commercial	Farm. Awaiting Devel. - Ph I	1.000000	75%	1,754,600	1,516,800	0.885614%		0.127500%	1.013114%	13,433	0	1,934	15,367
0240	CU	0	Commercial	Excess Land	1.930000	70%	44,919,080	40,053,995	1.595286%		0.938000%	2.533286%	638,976	0	375,706	1,014,682
0245	CK	0	Commercial	Excess Land, Shared PIL	1.930000	70%	630,300	531,650	1.595286%		0.938000%	2.533286%	8,481	0	4,987	13,468
0270	CX	0	Commercial	Vacant Land	1.930000	70%	101,273,000	86,109,317	1.595286%		0.938000%	2.533286%	1,373,690	0	807,705	2,181,395
0275	CJ	0	Commercial	Vacant Land, Shared PIL	1.930000	70%	0	0	1.595286%		0.938000%	2.533286%	0	0	0	0
0310	GT	0	Parking Lot	Full Occupied	1.930000	100%	118,692,751	91,050,087	2.278981%		1.340000%	3.618981%	2,075,014	0	1,220,071	3,295,085
0320	DT	0	Office Building	Full Occupied	1.930000	100%	362,631,960	338,729,158	2.278981%		1.340000%	3.618981%	7,719,573	0	4,538,971	12,258,544
0330	DU	0	Office Building	Excess Land	1.930000	70%	2,159,380	1,889,455	1.595286%		0.938000%	2.533286%	30,142	0	17,723	47,865
0340	ST	0	Shopping Centre	Full Occupied	1.930000	100%	1,500,558,010	1,278,621,337	2.278981%		1.340000%	3.618981%	29,139,537	0	17,133,526	46,273,063
0350	SU	0	Shopping Centre	Excess Land	1.930000	70%	2,285,100	1,903,533	1.595286%		0.938000%	2.533286%	30,367	0	17,855	48,222
0510	IT	0	Industrial	Full Occupied	1.930000	100%	238,593,600	227,123,217	2.278981%		1.340000%	3.618981%	5,176,095	0	3,043,451	8,219,546
0515	IH	0	Industrial	Full Occupied, Shared PIL	1.930000	100%	7,040,000	6,266,250	2.278981%		1.340000%	3.618981%	142,807	0	83,968	226,775
0531	I1	0	Industrial	Farm. Awaiting Devel. - Ph I	1.000000	75%	1,407,000	1,140,537	0.885614%		0.127500%	1.013114%	10,101	0	1,454	11,555
0534	I4	0	Industrial	Farm. Awaiting Devel. - Ph II	1.930000	100%	112,200	96,100	2.278981%		1.340000%	3.618981%	2,190	0	1,288	3,478
0540	IU	0	Industrial	Excess Land	1.930000	70%	7,091,800	6,494,050	1.595286%		0.938000%	2.533286%	103,599	0	60,914	164,513
0570	IX	0	Industrial	Vacant Land	1.930000	70%	48,956,500	41,207,820	1.595286%		0.938000%	2.533286%	657,383	0	386,529	1,043,912
0610	LT	0	Large Industrial	Full Occupied	1.930000	100%	133,502,109	129,280,331	2.278981%		1.340000%	3.618981%	2,946,274	0	1,732,356	4,678,630
0620	LU	0	Large Industrial	Excess Land	1.930000	70%	6,120,423	5,695,185	1.595286%		0.938000%	2.533286%	90,854	0	53,421	144,275
0710	PT	0	Pipeline	Full Occupied	1.713000	100%	105,814,500	101,428,250	2.022743%		1.340000%	3.362743%	2,051,633	0	1,359,139	3,410,772
2140	JT	0	Industrial, NConstr.	Full Occupied	1.930000	100%	61,239,800	56,703,200	2.278981%		1.090000%	3.368981%	1,292,255	0	618,065	1,910,320
2145	JU	0	Industrial, NConstr.	Excess Land	1.930000	70%	2,042,400	1,841,845	1.595286%		0.763000%	2.358286%	29,383	0	14,053	43,436
2235	KT	0	Large Ind., NConstr.	Full Occupied	1.930000	100%	57,796,700	53,779,550	2.278981%		1.090000%	3.368981%	1,225,626	0	586,197	1,811,823
2240	KU	0	Large Ind., NConstr.	Excess Land	1.930000	70%	1,924,600	1,714,100	1.595286%		0.763000%	2.358286%	27,345	0	13,079	40,424
2440	XT	0	Commercial, NConstr.	Full Occupied	1.930000	100%	477,476,842	435,169,255	2.278981%		1.090000%	3.368981%	9,917,425	0	4,743,345	14,660,770
2445	XU	0	Commercial, NConstr.	Excess Land	1.930000	70%	11,220,360	9,533,346	1.595286%		0.763000%	2.358286%	152,084	0	72,739	224,823
2635	YT	0	Office Build., NConstr.	Full Occupied	1.930000	100%	8,838,460	8,139,175	2.278981%		1.090000%	3.368981%	185,490	0	88,717	274,207
2835	ZT	0	Shopp. Centre, NConstr.	Full Occupied	1.930000	100%	227,347,098	205,571,780	2.278981%		1.090000%	3.368981%	4,684,942	0	2,240,732	6,925,674
2840	ZU	0	Shopp. Centre, NConstr.	Excess Land	1.930000	70%	338,840	282,240	1.595286%		0.763000%	2.358286%	4,503	0	2,153	6,656
													0	0	0	0
9201				Subtotal			45,161,114,100	42,767,603,627					579,532,110	0	139,089,704	718,621,814

2018.01

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 22

MUNICIPAL and SCHOOL BOARD TAXATION

for the year ended December 31, 2018

1. GENERAL PURPOSE LEVY INFORMATION

		Phase-In Taxable Assessment	LT/ST Taxes	UT Taxes	Education Taxes	TOTAL
9299	TOTAL	42,767,603,627	579,532,110	0	139,089,704	718,621,814

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 22
MUNICIPAL and SCHOOL BOARD TAXATION
for the year ended December 31, 2018

		Municipal Taxes LT / ST 12 $	Municipal Taxes UT 13 $	Education Taxes 14 $	TOTAL 15 $
	4. ADJUSTMENTS TO TAXATION				
7010	Adjustments for properties, shared as if Payment-In-Lieu (Hydro properties RTQ = H, J, K)	295,810		-295,810	0
	5. SUPPLEMENTARY TAXES				
9799	Total of all supplementary taxes (Supps, Omits, Section 359)	11,320,452		2,858,670	14,179,122
	6. AMOUNT LEVIED BY TAX RATE				
9910	**TOTAL Levied by Tax Rate**	591,148,372	0	141,652,564	732,800,936
	7. AMOUNTS ADDED TO TAX BILL				
8005	Local improvements	675,427			675,427
8010	Sewer and water service charges	3,581,822			3,581,822
8015	Sewer and water connection charges				0
8020	Fire service charges				0
8025	Minimum tax (differential only)				0
8030	Municipal drainage charges				0
8035	Waste management collection charges				0
8040	Business improvement area	2,456,557			2,456,557
8097	Other				0
9890	**Subtotal**	6,713,806	0	0	6,713,806
	8. OTHER TAXATION AMOUNTS				
8045	Railway rights-of-way (RTC = W)	55,178		57,676	112,854
8050	Utility transmission and utility corridors (RTC = U)				0
8098	Other				0
9892	**Subtotal**	55,178	0	57,676	112,854
	9. TOTAL AMOUNT LEVIED				
9990	**TOTAL Levies**	597,917,356	0	141,710,240	739,627,596

2018.01001

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 24
PAYMENTS-IN-LIEU of TAXATION
for the year ended December 31, 2018

1. GENERAL PURPOSE PAYMENTS-IN-LIEU

		PIL Phased-In Assessment	LT/ST PILS	UT PILS	Education PILS	TOTAL
9299	TOTAL	190,624,198	4,352,538	0	1,656,110	6,008,648

	RTC RTQ	Tax Band	Property Class	Tax Rate Description	Tax Ratio	Percent of Full Rate	PIL CVA Assessment	PIL Phased-In Assessment	Tax Rates LT / ST	Tax Rates UT	Tax Rates EDUC	Tax Rates TOTAL	Municipal PILS LT / ST	Municipal PILS UT	Education PILS	TOTAL
	1	2	3	4	5	6	7	16	8	9	10	11	12	13	14	15
	LIST	LIST				%	$	$	0.xxxxxx%	0.xxxxxx%	0.xxxxxx%	0.xxxxxx%	$	$	$	$
2001	0	London C														
1010	RF	0	Residential	PIL: Full Occupied	1.000000	100%	1,674,000	1,384,000	1.180819%		0.170000%	1.350819%	16,343	0	2,353	18,696
1028	RG	0	Residential	PIL: 'General' Only (No Educ.)	1.000000	100%	288,900	245,950	1.180819%		0.000000%	1.180819%	2,904	0	0	2,904
1210	CF	0	Commercial	PIL: Full Occupied	1.930000	100%	79,970,600	71,653,836	2.278981%		1.340000%	3.618981%	1,632,977	0	960,161	2,593,138
1220	CG	0	Commercial	PIL: 'General' Only (No Educ.)	1.930000	100%	41,844,600	38,344,050	2.278981%		0.000000%	2.278981%	873,854	0	0	873,854
1260	CW	0	Commercial	PIL: Excess Land, 'General' Only	1.930000	70%	140,800	131,400	1.595286%		0.000000%	1.595286%	2,096	0	0	2,096
1280	CY	0	Commercial	PIL: Vacant Land	1.930000	70%	1,292,700	1,083,350	1.595286%		0.938000%	2.533286%	17,283	0	10,162	27,445
1290	CZ	0	Commercial	PIL: Vacant Land, 'General' Only	1.930000	70%	4,507,000	2,898,000	1.595286%		0.000000%	1.595286%	46,231	0	0	46,231
1310	GF	0	Parking Lot	PIL: Full Occupied	1.930000	100%	12,293,000	9,141,412	2.278981%		1.340000%	3.618981%	208,331	0	122,495	330,826
1320	DF	0	Office Building	PIL: Full Occupied	1.930000	100%	25,310,000	22,707,600	2.278981%		1.340000%	3.618981%	517,502	0	304,282	821,784
1328	DG	0	Office Building	PIL: 'General' Only (No Educ.)	1.930000	100%	21,203,000	21,203,000	2.278981%		0.000000%	2.278981%	483,212	0	0	483,212
1590	IZ	0	Industrial	PIL: Vacant Land, 'General' Only	1.930000	70%	432,600	368,600	1.595287%		0.000000%	1.595287%	5,880	0	0	5,880
4410	XF	0	Commercial, NConstr.	PIL: Full Occupied	1.930000	100%	12,379,000	12,379,000	2.278981%		1.090000%	3.368981%	282,115	0	134,931	417,046
5010	HF	0	Landfill	PIL: Full Occupied	2.459410	100%	9,084,000	9,084,000	2.904118%		1.340000%	4.244118%	263,810	0	121,726	385,536
													0	0	0	0
													0	0	0	0
													0	0	0	0
													0	0	0	0
													0	0	0	0
													0	0	0	0
													0	0	0	0
9201				Subtotal			210,420,200	190,624,198					4,352,538	0	1,656,110	6,008,648

2018.01

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 24

PAYMENTS-IN-LIEU of TAXATION

for the year ended December 31, 2018

		Municipal PILS LT / ST 12 $	Municipal PILS UT 13 $	Education PILS 14 $	TOTAL 15 $
	4. SUPPLEMENTARY PAYMENTS-IN-LIEU				
9799	Total of all supplementary PILS (Supps, Omits, Section 444)				0
	5. PAYMENTS-IN-LIEU LEVIED BY TAX RATE				
9910	**TOTAL PILS Levied by Tax Rate**	4,352,538	0	1,656,110	6,008,648
	6. AMOUNTS ADDED TO PAYMENTS-IN-LIEU				
8005	Local improvements				0
8010	Sewer and water service charges				0
8015	Sewer and water connection charges				0
8020	Fire service charges				0
8030	Municipal drainage charges				0
8035	Waste management collection charges				0
8040	Business improvement area				0
8097	Other Airport	837,434			837,434
9890	**Subtotal**	837,434	0	0	837,434
	7. OTHER PAYMENTS-IN-LIEU AMOUNTS				
8045	Railway rights-of-way (RTC = W) - from Ontario Enterprises				0
8046	Railway rights-of-way (RTC = W) - from Province				0
8050	Utility transmission and utility corridors (RTC = U) - from Ontario Enterprises	37,887		53,629	91,516
8051	Utility transmission and utility corridors (RTC = U) - from Province				0
8055	Institutional Payments - Heads and Beds (Mun. Act 323, 324)	4,107,675			4,107,675
8060	Hydro-electric Power Dams - from Province				0
8098	Other				0
9892	**Subtotal**	4,145,562	0	53,629	4,199,191
	8. TOTAL PAYMENTS-IN-LIEU LEVIED				
9990	**TOTAL PILS Levied**	9,335,534	0	1,709,739	11,045,273

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 26

TAXATION and PAYMENTS-IN-LIEU SUMMARY

for the year ended December 31, 2018

1. Municipal and School Board Taxation

		TOTAL	ENG - Public	FRE - Public	ENG - Separate	FRE - Separate	Other
9010	Legislated Percentage of Education Taxes distributed to each School Board (Applic. to Com, Ind, Pipelines)	100.000%	77.682%	0.753%	19.789%	1.776%	0.000%

	Property Class Group	Taxable Asmt. (CVA) 16 $	Taxable Asmt. (Wtd & Disc CVA) 2 $	Phase-In Taxable Asmt. (CVA) 18 $	Phase-In Taxable Asmt. (Wtd & Disc CVA) 17 $	TOTAL Taxes 3 $	Municipal Taxes LT / ST 4 $	Municipal Taxes UT 5 $	Education Taxes 6 $	Distribution of Education Taxes in column 6 by School Board: ENG - Public 7 $	FRE - Public 8 $	ENG - Separate 9 $	FRE - Separate 10 $	Other 11 $
0010	Residential	36,247,303,626	36,244,908,426	34,863,375,828	34,861,513,703	470,915,951	411,651,378	0	59,264,573	49,491,273	192,647	9,323,633	257,020	
0050	Multi-residential	1,728,666,403	3,094,419,714	1,579,300,442	2,828,652,587	36,083,052	33,401,271	0	2,681,781	2,507,844	3,841	165,314	4,782	
0110	Farmland	501,541,400	59,196,931	373,924,011	44,134,251	680,063	521,145	0	158,918	149,781	3	9,126	8	
0140	Managed Forests	1,120,900	280,225	925,732	231,433	3,126	2,733	0	393	385	0	7	1	
9110	**Subtotal**	38,478,632,329	39,398,805,296	36,817,526,013	37,734,531,974	507,682,192	445,576,527	0	62,105,665	52,149,283	196,491	9,498,080	261,811	0
0210	Commercial	3,299,291,338	6,280,551,696	2,946,417,813	5,611,440,172	105,215,254	66,260,961	0	38,954,293	30,260,474	293,326	7,708,665	691,828	0
0215	Commercial New Construction	488,697,202	936,689,011	444,702,601	852,756,213	14,885,593	10,069,509	0	4,816,084	3,741,230	36,265	953,055	85,534	0
0310	Parking Lot	118,692,751	229,077,009	91,050,087	175,726,668	3,295,085	2,075,014	0	1,220,071	947,776	9,187	241,440	21,668	0
0320	Office Building	364,791,340	702,797,005	340,618,613	656,299,929	12,306,409	7,749,715	0	4,556,694	3,539,731	34,312	901,724	80,927	0
0325	Office Building New Constructic	8,838,460	17,058,228	8,139,175	15,708,608	274,207	185,490	0	88,717	68,917	668	17,556	1,576	0
0340	Shopping Centre	1,502,843,110	2,899,164,129	1,280,524,870	2,470,310,853	46,321,285	29,169,904	0	17,151,381	13,323,536	129,150	3,394,087	304,609	0
0345	Shopping Centre New Construı	227,685,938	439,237,672	205,854,020	397,134,842	6,932,330	4,689,445	0	2,242,885	1,742,318	16,889	443,845	39,834	0
9120	**Subtotal**	6,010,840,139	11,504,574,752	5,317,307,179	10,179,377,284	189,230,163	120,200,038	0	69,030,125	53,623,982	519,797	13,660,371	1,225,975	0
0510	Industrial	303,201,100	551,065,897	282,327,974	515,927,773	9,669,779	6,092,175	0	3,577,604	2,779,154	26,939	707,972	63,538	0
0515	Industrial New Construction.	63,282,200	120,952,096	58,545,045	111,925,509	1,953,756	1,321,638	0	632,118	491,042	4,760	125,090	11,226	0
0610	Large Industrial	139,622,532	265,927,762	134,975,516	257,205,234	4,822,905	3,037,128	0	1,785,777	1,387,227	13,447	353,387	31,715	0
0615	Large Industrial New Construct	59,721,300	114,147,766	55,493,650	106,110,281	1,852,247	1,252,971	0	599,276	465,530	4,513	118,591	10,643	0
9130	**Subtotal**	565,827,132	1,052,093,521	531,342,185	991,168,796	18,298,687	11,703,912	0	6,594,775	5,122,953	49,659	1,305,040	117,123	0
0705	Landfill	0	0	0	0	0	0	0	0	0	0	0	0	0
0710	Pipelines	105,814,500	181,260,239	101,428,250	173,746,592	3,410,772	2,051,633	0	1,359,139	1,055,806	10,234	268,960	24,138	0
0810	Other Property Classes	0	0	0	0	0	0	0	0					
9160	Adj. for shared PIL properties					0	295,810	0	-295,810	-229,791	-2,227	-58,538	-5,254	
9170	Supplementary Taxes					14,179,122	11,320,452	0	2,858,670	2,435,495	12,612	379,844	30,719	
9180	**Total Levied by Rate**					732,800,936	591,148,372	0	141,652,564	114,157,728	786,566	25,053,757	1,654,513	0
9190	Amts Added to Tax Bill					6,713,806	6,713,806	0	0					
9192	Other Taxation Amounts					112,854	55,178	0	57,676	44,804	434	11,414	1,024	
9199	**TOTAL before Adj.**	45,161,114,100	52,136,733,807	42,767,603,627	49,078,824,647	739,627,596	597,917,356	0	141,710,240	114,202,532	787,000	25,065,171	1,655,537	0

2. Payments-In-Lieu of Taxation

	Property Class Group	PIL Asmt. (CVA) 16 $	PIL Asmt. (Wtd & Disc CVA) 2 $	Phase-In PIL Asmt. (CVA) 18 $	Phase-In PIL Asmt. (Wtd & Disc CVA) 17 $	Total PILS Levied 3 $	Municipal PILS LT / ST 4 $	Municipal PILS UT 5 $	Education PILS 6 $
1010	Residential	1,962,900	1,962,900	1,629,950	1,629,950	21,600	19,247	0	2,353
1050	Multi-residential	0	0	0	0	0	0	0	0
1110	Farmland	0	0	0	0	0	0	0	0
1140	Managed Forests	0	0	0	0	0	0	0	0
9210	**Subtotal**	1,962,900	1,962,900	1,629,950	1,629,950	21,600	19,247	0	2,353
1210	Commercial	127,755,700	243,128,952	114,110,636	217,852,245	3,542,764	2,572,441	0	970,323
1215	Commercial New Construction	12,379,000	23,891,470	12,379,000	23,891,470	417,046	282,115	0	134,931
1310	Parking Lot	12,293,000	23,725,490	9,141,412	17,642,925	330,826	208,331	0	122,495
1320	Office Building	46,513,000	89,770,090	43,910,600	84,747,458	1,304,996	1,000,714	0	304,282
1325	Office Building New Constructic	0	0	0	0	0	0	0	0
1340	Shopping Centre	0	0	0	0	0	0	0	0
1345	Shopping Centre New Construı	0	0	0	0	0	0	0	0
9220	**Subtotal**	198,940,700	380,516,002	179,541,648	344,134,098	5,595,632	4,063,601	0	1,532,031
1510	Industrial	432,600	584,443	368,600	497,979	5,880	5,880	0	0
1515	Industrial New Construction.	0	0	0	0	0	0	0	0
1610	Large Industrial	0	0	0	0	0	0	0	0
1615	Large Industrial New Construct	0	0	0	0	0	0	0	0
9230	**Subtotal**	432,600	584,443	368,600	497,979	5,880	5,880	0	0
1705	Landfill	9,084,000	22,341,280	9,084,000	22,341,280	385,536	263,810	0	121,726
1718	Pipelines	0	0	0	0	0	0	0	0
1810	Other Property Classes	0	0	0	0	0	0	0	0
9270	Supplementary PILS					0	0	0	0
9280	**Total Levied by Rate**					6,008,648	4,352,538	0	1,656,110
9290	Amts Added to PILs					837,434	837,434	0	0
9292	Other PIL Amounts					4,199,191	4,145,562	0	53,629
9299	**TOTAL before Adj.**	210,420,200	405,404,625	190,624,198	368,603,307	11,045,273	9,335,534	0	1,709,739

Part 3 contains Distribution of PILS by School Boards

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 26

TAXATION and PAYMENTS-IN-LIEU SUMMARY

for the year ended December 31, 2018

3. Payments-In-Lieu of Taxation: Distribution of Entitlements

	Source of PILS	PILS Levied			TOTAL PILS Levied	Adjustment to PILS Levied	TOTAL PIL Entitlement	Distrib. of PIL Entitlement in Col. 7			Distribution of Education PILS in column 10 by School Board				
		LT / ST	UT	Education				LT / ST	UT	Education	English - Public	French - Public	English - Separate	French - Separate	Other
		3	4	5	2	6	7	8	9	10	11	12	13	14	15
		$	$	$	$	$	$	$	$	$	$	$	$	$	$
5010	**Canada**	1,361,582		793,329	2,154,911	-111,714	2,043,197	2,043,197							
5020	**Canada Enterprises**	138,243		81,284	219,527		219,527	219,527							
	Ontario														
	Municipal Tax Assist. Act														
5210	Prev. Exempt Properties				0		0								
5220	Other Mun. Tax Asst. Act				0		0								
5230	Inst. Payments - Heads and Beds	4,107,675	0	0	4,107,675		4,107,675	4,107,675							
5232	Railway Rights-of-way	0	0	0	0		0								
5234	Utility Corridors/Transmission	0	0	0	0		0								
5236	Hydro-Electric Power Dams	0	0	0	0		0								
5240	Other PIL's	1,059,739			1,059,739	-7,957	1,051,782	1,051,782							
	Ontario Enterprises														
5410	Ontario Mortgage and Housing Corporation				0		0								
5430	Liquor Control Board of Ont.	351,647			351,647		351,647	351,647							
5432	Railway Rights-of-way	0	0	0	0		0								
5434	Utility Corridors/Transmission	37,887	0	53,629	91,516		91,516	91,516							
5437	Ontario Lottery and Gaming Corp.				0		0								
5460	Other				0		0								
5610	**Municipal Enterprises**	452,269		234,979	687,248		687,248	687,248							
5910	**Other Muns and Enterprises**	989,058		546,518	1,535,576	-1,535,576	0								
5950	**Amounts Added to PIL**	837,434	0	0	837,434		837,434	837,434							
9599	**TOTAL**	9,335,534	0	1,709,739	11,045,273	-1,655,247	9,390,026	9,390,026	0	0	0	0	0	0	0

2018.01

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 40
CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES
for the year ended December 31, 2018

		Salaries, Wages and Employee Benefits 1 $	Interest on Long Term Debt 2 $	Materials 3 $	Contracted Services 4 $	Rents and Financial Expenses 5 $	External Transfers 6 $	Amortization 16 $	Total Expenses Before Adjustments 7 $	Inter-Functional Adjustments 12 $	Allocation of Program Support * 13 $	Total Expenses After Adjustments 11 $
	General government											
0240	Governance	3,388,935	0	428,749	135,944	0	4,000	36,716	3,994,344	0	0	3,994,344
0250	Corporate Management	13,607,208	615,397	9,181,594	6,207,227	9,606,671	230,000	92,029	39,540,126	-29,500	43,015,766	82,526,392
0260	Program Support	33,991,084	4,064	3,437,195	4,988,802	956,926		11,214,039	54,592,110	-358,241	-43,015,766	11,218,103
0299	**Subtotal**	50,987,227	619,461	13,047,538	11,331,973	10,563,597	234,000	11,342,784	98,126,580	-387,741	0	97,738,839
	Protection services											
0410	Fire	57,415,666	84,259	1,816,453	508,714	1,006	0	3,294,883	63,120,981	0	0	63,120,981
0420	Police	98,198,672	435,901	5,901,730	1,562,130	201,756	0	5,076,351	111,376,540	0	0	111,376,540
0421	Court Security	3,654,595	0	51,170	0	0	0	0	3,705,765	0	0	3,705,765
0422	Prisoner Transportation	211,784	0	36,040	0	0	0	31,514	279,338	0	0	279,338
0430	Conservation authority	0	0	0	0	0	4,135,846	0	4,135,846	0	0	4,135,846
0440	Protective inspection and control	4,415,900	0	2,751,682	636,743	141,926	0	67,966	8,014,217	0	0	8,014,217
0445	Building permit and inspection services	4,868,580	0	278,988	125,649	13,068	0	10,587	5,296,872	0	0	5,296,872
0450	Emergency measures	319,221	0	7,718	92,302	0	0	61,808	481,049	0	0	481,049
0460	Provincial Offences Act (POA)	1,640,426	0	433,300	959,687	312,240	376,233	111,452	3,833,338	387,741	0	4,221,079
0498	Other	0	0	0	0	0	0	0	0	0	0	0
0499	**Subtotal**	170,724,844	520,160	11,277,081	3,885,225	669,996	4,512,079	8,654,561	200,243,946	387,741	0	200,631,687
	Transportation services											
0611	Roads - Paved	9,053,164	1,993,040	5,948,744	14,531,709	3,784,583	0	33,405,296	68,716,536	0	0	68,716,536
0612	Roads - Unpaved	151,868	0	149,297	17,634	45,529	0	0	364,328	0	0	364,328
0613	Roads - Bridges and Culverts	1,287,209	0	344,889	204,629	57,627	0	3,216,968	5,111,322	0	0	5,111,322
0614	Roads - Traffic Operations & Roadside	5,900,013	0	2,151,896	3,208,490	164,367	0	3,825,900	15,250,666	0	0	15,250,666
0621	Winter Control - Except sidewalks, Parking Lots	4,315,617	0	5,986,547	110,442	4,074,717	0	253	14,487,576	0	0	14,487,576
0622	Winter Control - Sidewalks, Parking Lots Only	619,192	0	949,447	13,500	659,020	0	0	2,241,159	0	0	2,241,159
0631	Transit - Conventional	49,322,774	689,993	19,516,047	0	320	0	12,765,385	82,294,519	0	0	82,294,519
0632	Transit - Disabled & special needs	1,023,482	0	252,936	7,231,710	0	0	0	8,508,128	0	0	8,508,128
0640	Parking	1,003,719	0	505,475	1,575,816	56,402	3,310	293,852	3,438,574	0	0	3,438,574
0650	Street lighting	148,420	16,515	6,042,132	215,378	0	0	5,695,325	12,117,770	0	0	12,117,770
0660	Air transportation	0	0	0	0	0	0	0	0	0	0	0
0698	Other — Other	0	0	12,211	0	0	0	0	12,211	0	0	12,211
0699	**Subtotal**	72,825,458	2,699,548	41,859,621	27,109,308	8,842,565	3,310	59,202,979	212,542,789	0	0	212,542,789
	Environmental services											
0811	Wastewater collection/conveyance	3,829,479	966,741	1,711,860	1,952,468	690,952	0	12,419,339	21,570,839	0	0	21,570,839
0812	Wastewater treatment & disposal	9,002,179	696,166	8,924,956	1,950,819	456,494	0	17,271,779	38,302,393	0	0	38,302,393
0821	Urban storm sewer system	2,323,100	866,693	1,246,295	5,060,840	6,298,608	0	14,990,270	30,785,806	0	0	30,785,806
0822	Rural storm sewer system	97,329	0	2,210	484	0	0	0	100,023	0	0	100,023
0831	Water treatment	1,064,504	203,010	7,180,982	864,502	51,390	7,797	4,650,043	14,022,228	0	0	14,022,228
0832	Water distribution/transmission	8,433,998	216,064	11,517,265	5,102,783	1,031,622	7,797	19,841,452	46,150,981	0	0	46,150,981
0840	Solid waste collection	5,670,825	0	3,042,779	612,279	0	0	52,235	9,378,118	0	0	9,378,118
0850	Solid waste disposal	1,761,075	0	3,702,803	731,377	1,499,167	51,333	1,503,275	9,249,030	0	0	9,249,030
0860	Waste diversion	1,292,355	0	382,630	11,743,316	0	1,157,615	869,312	15,445,228	0	0	15,445,228
0898	Other — Other	682,538	0	218,963	236,990	19,947	0	93,887	1,252,325	0	0	1,252,325
0899	**Subtotal**	34,157,382	2,948,674	37,930,743	28,255,858	10,048,180	1,224,542	71,691,592	186,256,971	0	0	186,256,971
	Health services											
1010	Public health services	4,410,844	0	419,382	765,592	281,216	4,862,658	104,519	10,844,211	0	0	10,844,211
1020	Hospitals	0	0	0	0	0	0	0	0	0	0	0
1030	Ambulance services	0	0	0	14,736,200	0	0	0	14,736,200	0	0	14,736,200
1035	Ambulance dispatch	0	0	0	0	0	0	0	0	0	0	0
1040	Cemeteries	0	0	0	0	0	0	0	0	0	0	0
1098	Other	0	0	0	0	0	0	0	0	0	0	0
1099	**Subtotal**	4,410,844	0	419,382	15,501,792	281,216	4,862,658	104,519	25,580,411	0	0	25,580,411
	Social and family services											
1210	General assistance	21,203,483	0	576,235	6,490,365	2,874,880	135,474,061	458,490	167,077,514	-140,849	0	166,936,665
1220	Assistance to aged persons	19,452,554	767,167	3,030,865	823,599	0	214,967	1,292,474	25,581,626	0	0	25,581,626
1230	Child care	2,159,870	0	654,494	24,447,997	165,845	34,275,811	1,995	61,706,012	241,884	0	61,947,896
1298	Other — Other	314,174	0	153,386	6,918	1,356	0	592	476,426	0	0	476,426
1299	**Subtotal**	43,130,081	767,167	4,414,980	31,768,879	3,042,081	169,964,839	1,753,551	254,841,578	101,035	0	254,942,613

2018.01

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 40

CONSOLIDATED STATEMENT OF OPERATIONS: EXPENSES

for the year ended December 31, 2018

		Salaries, Wages and Employee Benefits 1 $	Interest on Long Term Debt 2 $	Materials 3 $	Contracted Services 4 $	Rents and Financial Expenses 5 $	External Transfers 6 $	Amortization 16 $	Total Expenses Before Adjustments 7 $	Inter-Functional Adjustments 12 $	Allocation of Program Support * 13 $	Total Expenses After Adjustments 11 $
	Social Housing											
1410	Public Housing	5,239,281	0	1,058,484	11,697,929	681,614	3,223,266	1,680,278	23,580,852	0	0	23,580,852
1420	Non-Profit/Cooperative Housing	0	0	0	537,262	0	18,974,700	0	19,511,962	0	0	19,511,962
1430	Rent Supplement Programs	0	0	0	13,088	0	2,357,717	0	2,370,805	0	0	2,370,805
1497	Other: Other	1,196,386	0	55,626	91,878	99,807	41,270	8,582	1,493,549	0	0	1,493,549
1498	Other: Other	563,327	0	31,582	129,032	22,318	6,420,891	37,150	7,204,300	0	0	7,204,300
1499	**Subtotal**	6,998,994	0	1,145,692	12,469,189	803,739	31,017,844	1,726,010	54,161,468	0	0	54,161,468
	Recreation and cultural services											
1610	Parks	6,654,332	305,540	2,706,854	1,870,784	913,521	0	4,688,502	17,139,533	0	0	17,139,533
1620	Recreation programs	10,861,127	0	2,587,484	674,454	589,630	121,418	29,767	14,863,880	-101,035	0	14,762,845
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	1,866,601	0	1,353,333	253,913	21,726	0	245,154	3,740,727	0	0	3,740,727
1634	Rec. Fac. - All Other	5,574,234	990,960	1,095,994	3,042,395	20,038	400,000	6,292,481	17,416,102	0	0	17,416,102
1640	Libraries	14,664,490	348,360	4,272,337	662,935	594,789	0	3,501,969	24,044,880	0	0	24,044,880
1645	Museums	289,943	0	56,536	19,365	41,608	0	11,602	419,054	0	0	419,054
1650	Cultural services	2,160,003	0	2,321,800	465,862	73,115	1,587,819	1,299,973	7,908,572	0	0	7,908,572
1698	Other: Other	0	0	444	22,296	0	0	1,018	23,758	0	0	23,758
1699	**Subtotal**	42,070,730	1,644,860	14,394,782	7,012,004	2,254,427	2,109,237	16,070,466	85,556,506	-101,035	0	85,455,471
	Planning and development											
1810	Planning and zoning	7,502,906	0	228,352	760,810	310,852	0	42,925	8,845,845	0	0	8,845,845
1820	Commercial and Industrial	5,637,114	397,105	5,106,433	1,621,355	895,822	7,725,831	1,986,704	23,370,364	0	0	23,370,364
1830	Residential development	1,683	8,825	0	13,731	0	0	0	24,239	0	0	24,239
1840	Agriculture and reforestation	459,253	0	27,197	102,824	0	0	95,051	684,325	0	0	684,325
1850	Tile drainage/shoreline assistance		0						0			0
1898	Other: Other	0	0	0	167,490	0	0	0	167,490	0	0	167,490
1899	**Subtotal**	13,600,956	405,930	5,361,982	2,666,210	1,206,674	7,725,831	2,124,680	33,092,263	0	0	33,092,263
1910	Other								0			0
9910	**TOTAL**	438,906,516	9,605,800	129,851,801	140,000,438	37,712,475	221,654,340	172,671,142	1,150,402,512	0	0	1,150,402,512

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 42
ADDITIONAL INFORMATION
for the year ended December 31, 2018

Additional information contained in Schedule 40

		1 $
	Total of column 1 includes:	
5010	Salaries and wages	334,296,290
5020	Employee benefits	104,610,226
5099	Total Salaries, Wages and Employee benefits (Not including line 5050)	438,906,516
5050	Salaries, Wages and Employee benefits capitalized on Schedule 51	0
5098	Total Salaries, Wages and Employee benefits (including capitalized wages)	438,906,516
	Total of column 3 includes:	
5110	Amounts for tax write-offs reported in SLC 40 0250 03	2,587,740
	Total of column 4 includes:	
5210	Municipal Property Assessment Corporation (MPAC)	4,912,215
	Total of column 5 includes:	
5610	Short term interest costs	0
	Total of column 6 includes:	
5810	Grants to charitable and non-profit organizations	4,937,882
5820	Grants to universities and colleges	87,545
	Contributions to UNCONSOLIDATED joint local boards	
5840	Health unit	0
5850	District Social Services Administration Board (DSSAB)	0
5860	Consolidated Municipal Service Manager (CMSM)	0
5870	Homes for the aged	0
5880	Recreation boards	0
5890	Fire area boards	0
5895	Other	0
5896	Other	0
5897	Other: Tourism London	2,027,176
5898	Other: Conservation Authority (Thames, Kettle Creek)	4,135,846
	Tourism	
5991	Specify	0
5992	Specify	0
5993	Specify	0
	Total of column 11 includes:	
6010	Payments for long term commitments and liabilities financed from the consolidated statement of operations	0

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 51
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2018

DRAFT

ANALYSIS BY FUNCTIONAL CLASSIFICATION

Code	Description	2018 Opening Net Book Value 1 $	COST: 2018 Opening Cost Balance 2 $	COST: Additions and Betterments 3 $	COST: Disposals 4 $	COST: Write Downs 5 $	COST: 2018 Closing Cost Balance 6 $	AMORTIZATION: 2018 Opening Amortization Balance 7 $	AMORTIZATION: Annual Amortization 8 $	AMORTIZATION: Amortization Disposal 9 $	AMORTIZATION: 2018 Closing Amortization Balance 10 $	2018 Closing Net Book Value 11 $
0299	**General government**	91,056,328	153,188,890	14,085,311	6,219,784	0	161,054,417	62,132,562	11,342,784	5,555,414	67,919,932	93,134,485
	Protection services											
0410	Fire	33,465,958	60,319,040	2,130,538	638,873	0	61,810,705	26,853,082	3,294,883	961,803	29,186,162	32,624,543
0420	Police	40,046,964	69,593,570	4,233,200	3,228,514	0	70,598,256	29,546,606	5,107,864	3,131,886	31,522,584	39,075,672
0421	Court Security	0	0	0	0	0	0	0	0	0	0	0
0422	Prisoner Transportation	0	0	0	0	0	0	0	0	0	0	0
0430	Conservation authority	0	0	0	0	0	0	0	0	0	0	0
0440	Protective inspection and control	852,285	1,051,675	34,213	57,087	0	1,028,801	199,390	67,966	57,087	210,269	818,532
0445	Building permit and inspection services	48,382	63,883	1,332	5,494	0	59,721	15,501	10,587	5,494	20,594	39,127
0450	Emergency measures	364,455	761,654	0	0	0	761,654	397,199	61,808	0	459,007	302,647
0460	Provincial Offences Act (POA)	2,441,798	3,761,337	14,868	29,167	0	3,747,038	1,319,539	111,452	29,167	1,401,824	2,345,214
0498	Other	0	0	0	0	0	0	0	0	0	0	0
0499	**Subtotal**	77,219,842	135,551,159	6,414,151	3,959,135	0	138,006,175	58,331,317	8,654,560	4,185,437	62,800,440	75,205,735
	Transportation services											
0611	Roads - Paved	702,023,901	1,017,383,179	97,768,608	21,143,498	0	1,094,008,289	315,359,278	33,405,296	18,563,887	330,200,687	763,807,602
0612	Roads - Unpaved	0	0	0	0	0	0	0	0	0	0	0
0613	Roads - Bridges and Culverts	80,715,328	118,558,608	11,315,599	82,511	0	129,791,696	37,843,280	3,216,968	82,511	40,977,737	88,813,959
0614	Roads - Traffic Operations & Roadside	67,461,118	106,709,148	10,552,600	1,450,457	0	115,811,291	39,248,030	3,825,900	1,450,457	41,623,473	74,187,818
0621	Winter Control - Except sidewalks, Parking Lots	884	2,525	0	0	0	2,525	1,641	253	0	1,894	631
0622	Winter Control - Sidewalks, Parking Lots Only	0	0	0	0	0	0	0	0	0	0	0
0631	Transit - Conventional	96,423,259	187,512,337	17,665,762	7,311,708	0	197,866,391	91,089,078	12,765,385	7,311,708	96,542,755	101,323,636
0632	Transit - Disabled & special needs	0	0	0	0	0	0	0	0	0	0	0
0640	Parking	2,068,494	2,884,245	652,378	83,771	0	3,452,852	815,751	293,852	83,771	1,025,832	2,427,020
0650	Street lighting	75,095,487	161,882,397	7,652,264	3,309,285	0	166,225,376	86,786,910	5,695,325	3,309,285	89,172,950	77,052,426
0660	Air transportation	0	0	0	0	0	0	0	0	0	0	0
0698	Other	0	0	0	0	0	0	0	0	0	0	0
0699	**Subtotal**	1,023,788,471	1,594,932,439	145,607,211	33,381,230	0	1,707,158,420	571,143,968	59,202,979	30,801,619	599,545,328	1,107,613,092
	Environmental services											
0811	Wastewater collection/conveyance	361,227,000	557,200,626	27,243,821	889,273	0	583,555,174	195,973,626	12,419,339	629,469	207,763,496	375,791,678
0812	Wastewater treatment & disposal	194,640,473	437,349,447	51,597,090	424,719	0	488,521,818	242,708,974	17,271,779	424,719	259,556,034	228,965,784
0821	Urban storm sewer system	652,281,443	925,350,200	35,481,478	876,600	0	959,955,078	273,068,757	14,990,270	502,306	287,556,721	672,398,357
0822	Rural storm sewer system	0	0	0	0	0	0	0	0	0	0	0
0831	Water treatment	69,415,647	98,933,403	2,895,966	2,678,701	0	99,150,668	29,517,756	4,650,043	1,429,781	32,738,018	66,412,650
0832	Water distribution/transmission	570,315,880	845,412,743	44,430,834	5,336,372	0	884,507,205	275,096,863	19,841,452	4,168,513	290,769,802	593,737,403
0840	Solid waste collection	264,637	513,990	82,025	65,284	0	530,731	249,353	52,235	65,284	236,304	294,427
0850	Solid waste disposal	42,516,904	57,274,323	4,491,478	0	0	61,765,801	14,757,419	1,503,275	0	16,260,694	45,505,107
0860	Waste diversion	17,682,886	23,179,203	0	386,763	0	22,792,440	5,496,317	869,312	385,937	5,979,692	16,812,748
0898	Other: Other	3,144,222	5,737,604	0	5,737,604	0	0	2,593,382	93,885	2,687,267	0	0
0899	**Subtotal**	1,911,489,092	2,950,951,539	166,222,692	16,395,316	0	3,100,778,915	1,039,462,447	71,691,590	10,293,276	1,100,860,761	1,999,918,154
	Health services											
1010	Public health services	193,372	1,107,549	73,433	102,143	0	1,078,839	914,177	104,519	102,143	916,553	162,286
1020	Hospitals	0	0	0	0	0	0	0	0	0	0	0
1030	Ambulance services	0	0	0	0	0	0	0	0	0	0	0
1035	Ambulance dispatch	0	0	0	0	0	0	0	0	0	0	0
1040	Cemeteries	0	0	0	0	0	0	0	0	0	0	0
1098	Other	0	0	0	0	0	0	0	0	0	0	0
1099	**Subtotal**	193,372	1,107,549	73,433	102,143	0	1,078,839	914,177	104,519	102,143	916,553	162,286
	Social and family services											
1210	General assistance	8,066,601	9,299,766	66,583	53,913	0	9,312,436	1,233,165	458,490	53,913	1,637,742	7,674,694
1220	Assistance to aged persons	24,333,798	38,425,875	769,327	360,860	0	38,834,342	14,092,077	1,292,474	360,860	15,023,691	23,810,651
1230	Child care	13,347	25,871	2,238	2,223	0	25,886	12,524	2,587	2,223	12,888	12,998
1298	Other	0	0	0	0	0	0	0	0	0	0	0
1299	**Subtotal**	32,413,746	47,751,512	838,148	416,996	0	48,172,664	15,337,766	1,753,551	416,996	16,674,321	31,498,343

2018.01

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 51

SCHEDULE OF TANGIBLE CAPITAL ASSETS

for the year ended December 31, 2018

ANALYSIS BY FUNCTIONAL CLASSIFICATION

			COST					AMORTIZATION				
		2018 Opening Net Book Value 1 $	2018 Opening Cost Balance 2 $	Additions and Betterments 3 $	Disposals 4 $	Write Downs 5 $	2018 Closing Cost Balance 6 $	2018 Opening Amortization Balance 7 $	Annual Amortization 8 $	Amortization Disposal 9 $	2018 Closing Amortization Balance 10 $	2018 Closing Net Book Value 11 $
	Social Housing											
1410	Public Housing	51,957,297	118,708,864	4,047,920	133,872	0	122,622,912	66,751,567	1,680,278	90,805	68,341,040	54,281,872
1420	Non-Profit/Cooperative Housing	0	0	0	0	0	0	0	0	0	0	0
1430	Rent Supplement Programs	0	0	0	0	0	0	0	0	0	0	0
1497	Other: Other	37,428	59,111	527,045	0	0	586,156	21,683	45,732	0	67,415	518,741
1498	Other	0	0	0	0	0	0	0	0	0	0	0
1499	**Subtotal**	51,994,725	118,767,975	4,574,965	133,872	0	123,209,068	66,773,250	1,726,010	90,805	68,408,455	54,800,613
	Recreation and cultural services											
1610	Parks	201,472,384	244,188,932	12,154,906	2,297,271	0	254,046,567	42,716,548	4,580,438	1,851,103	45,445,883	208,600,684
1620	Recreation programs	144,963	253,206	46,535	2,224	0	297,517	108,243	29,767	2,224	135,786	161,731
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	2,131,232	5,996,360	20,661	243,542	0	5,773,479	3,865,128	245,154	243,542	3,866,740	1,906,739
1634	Rec. Fac. - All Other	73,271,137	144,716,785	37,195,490	2,344,391	0	179,567,884	71,445,648	6,292,481	2,344,391	75,393,738	104,174,146
1640	Libraries	23,396,144	55,526,753	7,643,009	1,822,211	0	61,347,551	32,130,609	3,501,969	1,822,211	33,810,367	27,537,184
1645	Museums	924,369	1,005,445	19,722	0	0	1,025,167	81,076	80,453	0	161,529	863,638
1650	Cultural services	13,989,801	27,234,863	2,576,636	210,390	0	29,601,109	13,245,062	1,231,122	210,390	14,265,794	15,335,315
1698	Other: Other	4,578	10,176	0	0	0	10,176	5,598	1,018	0	6,616	3,560
1699	**Subtotal**	315,334,608	478,932,520	59,656,959	6,920,029	0	531,669,450	163,597,912	15,962,402	6,473,861	173,086,453	358,582,997
	Planning and development											
1810	Planning and zoning	101,080	228,007	330,211	66,870	0	491,348	126,927	42,925	66,870	102,982	388,366
1820	Commercial and Industrial	41,112,674	70,421,291	895,147	48,594	0	71,267,844	29,308,617	1,986,707	0	31,295,324	39,972,520
1830	Residential development	1,199,929	2,169,248	0	14,148	0	2,155,100	969,319	108,064	14,148	1,063,235	1,091,865
1840	Agriculture and reforestation	1,179,947	1,886,276	2,481	0	0	1,888,757	706,329	95,051	0	801,380	1,087,377
1850	Tile drainage/shoreline assistance	0	0				0	0			0	0
1898	Other	0	0	0	0	0	0	0	0	0	0	0
1899	**Subtotal**	43,593,630	74,704,822	1,227,839	129,612	0	75,803,049	31,111,192	2,232,747	81,018	33,262,921	42,540,128
1910	Other	0	0		0	0	0	0		0	0	0
9910	**Total Tangible Capital Assets**	3,547,083,814	5,555,888,405	398,700,709	67,658,117	0	5,886,930,997	2,008,804,591	172,671,142	58,000,569	2,123,475,164	3,763,455,833

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 51
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ended December 31, 2018

SEGMENTED BY ASSET CLASS

	General Capital Assets		2018 Opening Net Book Value (NBV) 1 $	2018 Closing Net Book Value (NBV) 11 $
2005	Land		427,042,748	439,698,806
2010	Land Improvements		72,379,173	76,627,804
2020	Buildings		336,440,989	364,183,936
2030	Machinery & Equipment		91,192,983	110,518,992
2040	Vehicles		7,144,229	8,562,949
2097	Other		0	0
2098	Other	Other	16,534,865	14,783,690
2099	**Total General Capital Assets**		950,734,987	1,014,376,177

	Infrastructure Assets		2018 Opening Net Book Value (NBV) 1 $	2018 Closing Net Book Value (NBV) 11 $
2205	Land		0	0
2210	Land Improvements		0	0
2220	Buildings		218,875,918	237,721,854
2230	Machinery & Equipment		66,654,886	65,761,778
2240	Vehicles		53,331,268	56,302,271
2250	Linear Assets		2,257,486,755	2,389,293,753
2297	Other		0	0
2298	Other		0	0
2299	**Total Infrastructure Assets**		2,596,348,827	2,749,079,656
9920	**Total Tangible Capital Assets**		3,547,083,814	3,763,455,833
2405	**Construction-in-progress**		202,632,855	136,603,538
9921	**Total Tangible Capital Assets and Construction-in-progress**		3,749,716,669	3,900,059,371

2018.01

FIR2018: London C

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MAH Code: 59101

Schedule 51

SCHEDULE OF TANGIBLE CAPITAL ASSET: CONSTRUCTION-IN-PROGRESS

for the year ended December 31, 2018

ANALYSIS BY FUNCTIONAL CLASSIFICATION

		COST			
		2018 Opening Balance 1 $	Expenditures in 2018 2 $	Less Assets Capitalized 3 $	2018 Closing Balance 4 $
0299	**General government**	2,138,106	1,107,275	1,998,135	1,247,246
	Protection services				
0410	Fire	228,985	204,569	216,153	217,401
0420	Police	791,056	940,065	747,425	983,696
0421	Court Security	0	0	0	0
0422	Prisoner Transportation	0	0	0	0
0430	Conservation authority	0	0	0	0
0440	Protective inspection and control	0	0	0	0
0445	Building permit and inspection services	0	0	0	0
0450	Emergency measures	0	0	0	0
0460	Provincial Offences Act (POA)	0	0	0	0
0498	Other	0	0	0	0
0499	**Subtotal**	1,020,041	1,144,634	963,578	1,201,097
	Transportation services				
0611	Roads - Paved	38,590,818	30,959,648	28,585,383	40,965,083
0612	Roads - Unpaved	0	0	0	0
0613	Roads - Bridges and Culverts	2,597,821	267,940	1,963,561	902,200
0614	Roadways - Traffic Operations & Roadside	4,968,124	1,408,768	4,774,311	1,602,581
0621	Winter Control - Except sidewalks, Parking Lots	0	0	0	0
0622	Winter Control - Sidewalks, Parking Lots Only	0	0	0	0
0631	Transit - Conventional	0	0	0	0
0632	Transit - Disabled & special needs	0	0	0	0
0640	Parking	0	0	0	0
0650	Street lighting	619,293	878,170	535,961	961,502
0660	Air transportation	0	0	0	0
0698	Other	0	0	0	0
0699	**Subtotal**	46,776,056	33,514,526	35,859,216	44,431,366
	Environmental services				
0811	Wastewater collection/conveyance	11,890,200	21,798,268	10,897,355	22,791,113
0812	Wastewater treatment & disposal	56,482,143	11,482,572	54,052,611	13,912,104
0821	Urban storm sewer system	23,369,455	22,708,728	19,033,480	27,044,703
0822	Rural storm sewer system	0	0	0	0
0831	Water treatment	0	290,893	166,543	124,350
0832	Water distribution/transmission	19,980,503	9,999,480	18,378,807	11,601,176
0840	Solid waste collection	0	0	0	0
0850	Solid waste disposal	73,413	31,649	11,212	93,850
0860	Waste diversion	0	0	0	0
0898	Other	0	0	0	0
0899	**Subtotal**	111,795,714	66,311,590	102,540,008	75,567,296
	Health services				
1010	Public health services	0	0	0	0
1020	Hospitals	0	0	0	0
1030	Ambulance services	0	0	0	0
1035	Ambulance dispatch	0	0	0	0
1040	Cemeteries	0	0	0	0
1098	Other	0	0	0	0
1099	**Subtotal**	0	0	0	0
	Social and family services				
1210	General assistance	0	0	0	0
1220	Assistance to aged persons	262,806	23,753	262,804	23,755
1230	Child care	0	0	0	0
1298	Other	0	0	0	0
1299	**Subtotal**	262,806	23,753	262,804	23,755
	Social Housing				
1410	Public Housing	0	0	0	0
1420	Non-Profit/Cooperative Housing	0	0	0	0
1430	Rent Supplement Programs	0	0	0	0
1497	Other	0	0	0	0
1498	Other	0	0	0	0
1499	**Subtotal**	0	0	0	0
	Recreation and cultural services				
1610	Parks	5,389,025	1,642,090	4,723,712	2,307,403
1620	Recreation programs	0	0	0	0
1631	Rec. Fac. - Golf Crs, Marina, Ski Hill	7,293	8,684	0	15,977
1634	Rec. Fac. - All Other	34,954,515	9,544,637	32,910,036	11,589,116
1640	Libraries	0	0	0	0
1645	Museums	0	0	0	0
1650	Cultural services	289,299	21,037	289,300	21,036
1698	Other	0	0	0	0
1699	**Subtotal**	40,640,132	11,216,448	37,923,048	13,933,532
	Planning and development				
1810	Planning and zoning	0	0	0	0
1820	Commercial and Industrial	0	199,246	0	199,246
1830	Residential development	0	0	0	0
1840	Agriculture and reforestation	0	0	0	0
1850	Tile drainage/shoreline assistance	0			0
1898	Other	0	0	0	0
1899	**Subtotal**	0	199,246	0	199,246
1910	Other	0	0	0	0
9910	**Total Construction-In-Progress**	202,632,855	113,517,472	179,546,789	136,603,538

FIR2018: London C

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Schedule 53

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT) AND TANGIBLE CAPITAL ASSET ACQUISITION FINANCING/DONATIONS

for the year ended December 31, 2018

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

		1 $
1010	Annual Surplus/(Deficit) (SLC 10 2099 01)	272,392,001
1020	Acquisition of tangible capital assets	-257,281,169
1030	Amortization of tangible capital assets (SLC 51 9910 08)	172,671,142
1031	Contributed (Donated) tangible capital assets	-73,284,511
1032	Change in construction-in-progress	
1040	(Gain)/Loss on sale of tangible capital assets	
1050	Proceeds on sale of tangible capital assets	7,551,830
1060	Write-downs of tangible capital assets	
1070	Other	
1071	Other	
1099	**Subtotal**	-150,342,708
1210	Change in supplies inventories	-296,451
1220	Change in prepaid expenses	-390,689
1230	Other	
1299	**Subtotal**	-687,140
1410	(Increase)/decrease in net financial assets/net debt	121,362,153
1420	Net financial assets (net debt), beginning of year	272,455,799
9910	Net financial assets (net debt), end of year	393,817,952

SOURCES OF FINANCING FOR TCA ACQUISITIONS / DONATIONS

		1 $
	Long Term Liabilities Incurred	
0205	Canada Mortgage and Housing Corporation (CMHC)	
0210	Ontario Financing Authority	
0215	Commercial Area Improvement Program	
0220	Other Ontario housing programs	
0235	Serial debentures	
0240	Sinking fund debentures	
0245	Long term bank loans	
0250	Long term reserve fund loans	
0255	Lease purchase agreements (Tangible capital leases)	
0260	Construction Financing Debentures	
0265	Infrastructure Ontario	
0297	Other	
0298	Other	
0299	**Subtotal**	0
	Financing from Dedicated Revenue	
0405	Municipal Property Tax by Levy	3,066,776
0406	Reserves and Reserve funds (SLC 60 1012 01 + SLC 60 1012 02 + SLC 60 1012 03)	67,998,916
0410	Municipal User Fees & Service Charges	
0415	Development Charges (SLC 61 0299 08)	49,986,466
0416	Recreation land (The Planning Act) (SLC 60 1032 01)	99,450
0419	Donations	
0420	Other	
0446	Proceeds from the sale of Tangible Capital Assets, etc	
0447	Investment income	
0448	Prepaid special charges	
0495	Other	
0496	Other	
0497	Other	
0498	Other	
0501	**Subtotal**	121,151,608
	Government Transfers	
0425	Capital Grants: Federal (SLC 12 9910 06 - (SLC 10 4099 01 - SLC 60 1047 01)	8,370,388
0430	Capital Grants: Provincial (SLC 12 9910 05 - (SLC 10 4019 01 - SLC 60 1045 01)	7,673,695
0435	Capital Grants: Other Municipalities (SLC 12 9910 07)	0
0440	Canada Gas Tax (SLC 10 4099 01)	41,911,140
0445	Provincial Gas Tax (SLC 10 4019 01)	4,412,337
0502	**Subtotal**	62,367,560
0499	**Subtotal**	183,519,168
0610	Contributed (Donated) tangible capital assets	73,284,511
9920	**Total Capital Financing**	256,803,679
0810	Unexpended Capital Financing or (Unfinanced Capital Outlay)	-73,762,001

FIR2018: London C

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Schedule 54

CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

for the year ended December 31, 2018

*** Municipalities must choose either the direct or indirect method. If direct method is chosen, please use Schedule 54A.**

CONSOLIDATED STATEMENT OF CASH FLOW - INDIRECT METHOD

		2018 Actual 1 $
	Operating Transactions	
2010	Annual Surplus/(Deficit) (SLC 10 2099 01)	272,392,001
2020	Non-cash items including amortization	165,489,468
2021	Contributed (Donated) tangible capital assets	-73,284,511
2022	Change in non-cash assets and liabilities	-5,128,091
2030	Prepaid expenses	-252,244
2040	Change in deferred revenue	2,795,815
2096	Other	
2097	Other	
2098	Other	
2099	**Cash provided by operating transactions**	362,012,438
	Capital Transactions	
0610	Proceeds on sale of tangible capital assets	7,581,654
0620	Cash used to acquire tangible capital assets	-143,763,699
0630	Change in construction-in-progress	-113,517,470
0698	Other	
0699	**Cash applied to capital transactions**	-249,699,515
	Investing Transactions	
0810	Proceeds from portfolio investments	
0820	Portfolio investments	-28,613,285
0898	Other — Other	6,078,897
0899	**Cash provided by / (applied to) investing transactions**	-22,534,388
	Financing Transactions	
1010	Proceeds from long term debt issues	55,000,000
1020	Principal long term debt repayment	-52,089,740
1030	Temporary loans	
1031	Repayment of temporary loans	
1096	Other	
1097	Other — Other	-2,400,001
1098	Other — Other	-752,894
1099	**Cash applied to financing transactions**	-242,635
1210	Increase in cash and cash equivalents	89,535,900
1220	Cash and cash equivalents, beginning of year	400,503,670
9920	Cash and cash equivalents, end of year	490,039,570

		2018 Actual 1 $
	Cash and cash equivalents represented by:	
1401	Cash	489,994,222
1402	Temporary borrowings	
1403	Short term investments	45,348
1404	Other	
9940	**Cash and cash equivalents, end of year**	490,039,570

		1 $
	Cash:	
1501	Unrestricted	193,744,143
1502	Restricted	296,295,427
1503	Unallocated	
9950	**Cash and cash equivalents, end of year**	490,039,570

2018.01

FIR2018: London C

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MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2018

Code		Obligatory Res. Funds, Deferred Rev. 1 $	Discretionary Res. Funds 2 $	Reserves 3 $
0299	**Balance, beginning of year**	286,934,778	520,845,038	160,183,172
0310	Allocation of Surplus		125,331,488	25,210,558
0315	Allocation of Surplus : for operating		114,388,323	20,663,522
0320	Allocation of Surplus : for capital		10,943,165	4,547,036
	Development Charges Act			
0610	Non-discounted services	49,248,726		
0620	Discounted services	3,803,458		
0630	Credits utilized (Development Charges Act) (SLC 61 0299 05)	0		
0699	**Subtotal Development Charges Act**	53,052,184		
0810	Lot levies		0	0
0820	Subdivider contributions	0		
0830	Recreational land (the Planning Act)	615,032		
0841	Investment Income	4,366,098	10,928,340	1,019,805
0860	Gasoline Tax - Province	9,998,632		
0861	Building Code Act, 1992 (Section 1.9.1.1 (d))	0		
0862	Gasoline Tax - Federal	7,262,000		
0864	Building Canada Fund (BCF)	0		
0870	Inter - Reserve Fund / Reserves Transfer		0	0
0895	Other	0		
0896	Other	0		
0897	Other	0		
0898	Other	0		
9940	**TOTAL Revenues & Surplus**	75,293,946	136,259,828	26,230,363
	Less: Utilization of reserve funds and reserves (transfers)			
1012	For acquisition of tangible capital asset	0	64,421,406	3,577,510
1015	For current operations	1,572,670	10,776,749	3,667,519
1025	Development Charges earned to tangible capital asset acquisition (SLC 61 0299 08)	49,986,466		
1026	Development Charges earned to operations (SLC 61 0299 07)	0		
1032	Recreational land (the Planning Act) earned to tangible capital asset acquisition	99,450		
1035	Recreational land (the Planning Act) earned to operations	0		
1042	Deferred revenue earned (Provincial Gas Tax) for Transit (Operations)	11,697,054		
1045	Deferred revenue earned (Provincial Gas Tax) for Transit (Capital)	4,412,337		
1047	Deferred revenue earned (Canada Gas Tax)	7,000,835		
1055	Development Charges Act - Credits Provided (SLC 61 0299 10)	29,490		
1070	Inter - Reserve Fund / Reserves Transfer		**-81,121,828**	**81,121,828**
0910	Less: Utilization (deferred revenue recognized)	74,798,302	-5,923,673	88,366,857
2099	**Balance, end of year**	287,430,422	663,028,539	98,046,678

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 60

CONTINUITY OF RESERVES AND RESERVE FUNDS

for the year ended December 31, 2018

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Totals in line 2099 are analysed as follows:

		Obligatory Res. Funds, Deferred Rev. 1 $	Discretionary Res. Funds 2 $	Reserves 3 $
5010	Working funds		0	635,478
5020	Contingencies		82,628,971	87,388,834
	Asset Replacement funds for: Sewer & Water			
5030	Sewer		0	0
5040	Water		0	0
5050	Replacement of equipment		23,862,286	206,960
5060	Sick leave		1,852,524	4,878
5070	Insurance		14,158,343	0
5080	Workplace Safety and Insurance Board (WSIB)		14,634,623	0
5090	Post-employment benefits		3,240,976	0
5091	Tax rate stabilization		0	0
5630	Lot levies		0	0
5660	Parking revenues		3,070,609	0
5670	Debenture repayment		0	0
5680	Exchange rate stabilization		0	0
	Per Service Purpose:			
5205	General government		42,835,717	0
5210	Protection services		11,630,827	0
	Transportation services:			
5215	Roadways		474,608	0
5216	Winter Control		0	0
5220	Transit		4,307,742	8,966,295
5221	Parking		0	0
5222	Street lighting		0	0
5223	Air transportation		0	0
	Environmental services:			
5225	Wastewater system		95,714,197	0
5230	Storm water system		3,372,487	0
5235	Waterworks system		94,083,726	0
5240	Solid waste collection		0	0
5245	Solid waste disposal		17,537,409	0
5246	Waste diversion		1,755,468	0
5250	Health services		0	21,494
5255	Social and family services		13,188,650	0
5260	Social housing		26,917,932	0
	Recreation and cultural services:			
5265	Parks		3,419,356	0
5266	Recreation programs		0	0
5271	Recreation facilities - Golf Course, Marina, Ski Hill		316,688	0
5274	Recreation facilities - All Other		0	0
5275	Libraries		1,510,213	533,077
5276	Museums		0	0
5277	Cultural services		4,026,582	0
5280	Planning and development		167,087,667	0
5290	Other Other		31,400,938	289,662
	Obligatory Deferred Revenue:			
5610	Development Charges Act - Non-discounted services	151,692,604		
5620	Development Charges Act - Discounted services	78,153,745		
5640	Subdivider contributions	0		
5650	Recreational land (the Planning Act)	3,173,116		
5661	Building Code Act, 1992 (Section 1.9.1.1 (d))	0		
5690	Gasoline Tax - Province	16,947,157		
5691	Gasoline Tax - Federal	37,463,800		
5692	Canada Transit Funding (Bill C-48)	0		
5693	Building Canada Fund (BCF)	0		
5695	Other	0		
5696	Other	0		
5697	Other	0		
5698	Other	0		
5699	Other	0		
9930	**TOTAL**	287,430,422	663,028,539	98,046,678

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 61

DEVELOPMENT CHARGES RESERVE FUNDS

for the year ended December 31, 2018

	Development Charges	Balance January 1	Development Charges Proceeds: Development Charges Collected	Development Charges Proceeds: Interest and Investment Income	Development Charges Proceeds: Credits Utilized	Development Charges Proceeds: Total	Development Charges Disbursements: To: Consolidated Statement of Operations	Development Charges Disbursements: To: Tangible Capital Asset Acquisition	Development Charges Disbursements: Other Disbursements	Development Charges Disbursements: Credits Provided	Development Charges Disbursements: Total	Balance December 31
		1	2	3	5	6	7	8	9	10	11	12
		$	$	$	$	$	$	$	$	$	$	$
0205	General Government	2,011,523	918,271	45,973	0	964,244	0	687,209	0	540	687,749	2,288,018
0210	Fire Protection	994,129	143,579	21,744	0	165,323	0	-2,662	0	93	-2,569	1,162,021
0215	Police Protection	4,630,104	524,217	10,152	0	534,369	0	-73,695	169,728	223	96,256	5,068,217
0220	Roads and Structures	81,660,816	25,148,194	1,559,402	0	26,707,596	0	28,018,551	274,495	14,714	28,307,760	80,060,652
0225	Transit	5,002,393	577,430	108,732	0	686,162	0	-101,499	0	320	-101,179	5,789,734
0230	Wastewater	32,281,827	6,022,679	40,318	0	6,062,997	0	7,244,571	502,630	2,957	7,750,158	30,594,666
0235	Stormwater	53,001,455	11,649,604	488,061	0	12,137,665	0	9,384,548	422,126	6,578	9,813,252	55,325,868
0240	Water	19,090,614	2,049,841	407,124	0	2,456,965	0	662,686	0	1,053	663,739	20,883,840
0245	Emergency Medical Services	0	0	0	0	0	0	0	0	0	0	0
0250	Homes for the Aged	0	0	0	0	0	0	0	0	0	0	0
0255	Daycare	0	0	0	0	0	0	0	0	0	0	0
0260	Housing	0	0	0	0	0	0	0	0	0	0	0
0265	Parkland Development.	0	0	0	0	0	0	0	0	0	0	0
0270	GO Transit	0	0	0	0	0	0	0	0	0	0	0
0275	Library	3,830,903	0	76,728	0	76,728	0	0	0	0	0	3,907,631
0280	Recreation	18,470,262	3,226,028	283,208	0	3,509,236	0	2,610,570	203,691	1,314	2,815,575	19,163,923
0285	Development Studies	0	0	0	0	0	0	0	0	0	0	0
0286	Parking	0	0	0	0	0	0	0	0	0	0	0
0287	Animal Control	0	0	0	0	0	0	0	0	0	0	0
0288	Municipal Cemeteries	0	0	0	0	0	0	0	0	0	0	0
0290	Other . . . Other	4,274,735	2,792,341	92,588	0	2,884,929	0	1,556,187	0	1,698	1,557,885	5,601,779
0295	Other . . .	0	0	0	0	0	0	0	0	0	0	0
0296	Other . . .	0	0	0	0	0	0	0	0	0	0	0
0297	Other . . .	0	0	0	0	0	0	0	0	0	0	0
0299	**TOTAL**	225,248,761	53,052,184	3,134,030	0	56,186,214	0	49,986,466	1,572,670	29,490	51,588,626	229,846,349

2018.01001

FIR2018: London C

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MAH Code: 59101

Schedule 62

DEVELOPMENT CHARGES RATES

for the year ended December 31, 2018

Sq. Foot / Sq. Metre / Per Hectare / Per Other (Please specify) Sq. Metre

DRAFT

RESIDENTIAL CHARGES ($)

	Service	Single Detached 1	Semi-Detached 2	Other Multiples 3	Apartments < = 1 Bedroom 4	Apartments > = 2 Bedroom 5	Secondary Units 17	Comm/sq m 6	Inst/sq m 7	Inst/sq m 8	50% rate 9
1	**Municipal Wide Charges**						*If Other, Please Specify >*	Comm/sq m	Inst/sq m	Inst/sq m	50% rate
210	Fire	76.28	76.28	54.31	34.56	47.15	0.00	1.20	0.44	0.07	0.22
450	Police	349.52	349.52	248.84	158.35	216.04	0.00	0.34	0.13	0.01	0.07
		518.80	518.80	369.37	235.05	320.68	0.00	5.80	3.36	2.34	1.68
310	Library	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
410	Parks and Recreation	2,188.37	2,188.37	1,558.07	991.50	1,352.69	0.00	0.00	0.00	0.00	0.00
650	Transit	336.66	336.66	239.69	152.53	208.10	0.00	3.00	2.67	2.42	1.33
530	Roads	14,607.66	14,607.66	11,028.30	6,820.13	9,190.25	0.00	168.91	98.29	80.00	50.54
570	Sewer	4,499.51	4,499.51	3,396.99	2,100.78	2,830.83	0.00	26.34	9.99	29.44	6.16
710	Water Supply	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
730	Water Distribution	1,225.71	1,225.71	925.37	572.27	771.15	0.00	7.70	2.55	30.46	1.27
630	Stormwater	6,633.15	6,633.15	5,007.80	3,096.93	4,173.18	0.00	64.11	31.99	38.51	18.10
9910	TOTAL MUNICIPAL WIDE CHARGES	30,435.66	30,435.66	22,828.74	14,162.10	19,110.07	0.00	277.40	149.42	183.25	79.37

NON - RESIDENTIAL CHARGES ($)

	Service	NON Res. Per Sq. Metre 10	Industrial Per Sq. Metre 11	Commercial Per Sq. Metre 12	Institutional Per Sq. Metre 13	Other 14	Other 15	Other 16
1	**Municipal Wide Charges**				*If Other, Please Specify >*			
210	Fire							
450	Police							
310	Library							
410	Parks and Recreation							
650	Transit							
530	Roads							
570	Sewer							
710	Water Supply							
730	Water Distribution							
630	Stormwater							
9910	TOTAL MUNICIPAL WIDE CHARGES	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1250 **Are the rates being reported based on a new development charge by-law that was approved by council within the reporting year?**

If "Yes", please attach an electronic version of the new by-law.

2018.01

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended December 31, 2018

		1
	Financial Assets	$
0299	**Cash and cash equivalents**	490,039,570
	Accounts receivable	
0410	Canada	36,883,180
0420	Ontario	6,427,548
0430	Upper-tier	0
0440	Other municipalities	896,908
0450	School boards	320,606
0490	Other receivables	35,594,259
0499	**Subtotal**	80,122,501
	Taxes receivable	
0610	Current year's levies	13,782,537
0620	Previous year's levies	5,599,177
0630	Prior year's levies	446,502
0640	Penalties and interest	1,735,408
0690	LESS: Allowance for uncollectables	6,720,235
0699	**Subtotal**	14,843,389
	Investments *	
0805	Canada	121,183,538
0810	Ontario	63,237,238
0815	Municipal	121,500
0820	Government business enterprises	189,381,478
0828	Other: Other	402,086,419
0829	**Subtotal**	776,010,173
	Debt Recoverable from Others	
0861	Municipalities (SLC 74 0630 01)	7,979,824
0862	School Boards (SLC 74 0620 01)	0
0863	Retirement Funds (SLC 74 0899 01)	0
0864	Sinking Funds (SLC 74 1099 01)	0
0865	Individuals	0
0868	Other	0
0845	**Subtotal**	7,979,824
	Other financial assets	
0830	Inventories held for resale	176,351
0831	Land held for resale	33,899,112
0835	Notes receivable	3,352,257
0840	Mortgages receivable	0
0850	Deferred taxes receivable	8,480
0890	Other: Other	8,011,530
0898	**Subtotal**	45,447,730
9930	**TOTAL Financial Assets**	1,414,443,187
8010	* Market value of Investments included in Line 0829	784,240,653

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended December 31, 2018

		1
		$
	Liabilities	
	Temporary loans	
2010	Operating purposes	0
	Tangible Capital Assets:	
2020	Canada	0
2030	Ontario	0
2040	Other	0
2099	**Subtotal**	0
	Accounts Payable	
2210	Canada	753,707
2220	Ontario	6,123,291
2230	Upper-tier	0
2240	Other municipalities	1,894,654
2250	School boards	184,618
2260	Interest on debt	2,050,930
2270	Trade accounts payable	120,520,995
2290	Other	40,059,841
2299	**Subtotal**	171,588,036
2301	Estimated Tax Liabilities (PS3510)	
	Deferred revenue	
2410	Obligatory reserve funds (SLC 60 2099 01)	287,430,422
2490	Other	32,408,807
2499	**Subtotal**	319,839,229
	Long term liabilities	
2610	Debt issued	311,407,269
2620	Debt payable to others	17,123,512
2630	Lease purchase agreements (Tangible capital leases)	1,081,796
2640	Other	0
2650	Other	0
2660	LESS: Debt issued on behalf of Government Business Enterprise	0
2699	**Subtotal**	329,612,577
	Solid Waste Management Facility Liabilities	
2799	Solid waste landfill closure and post-closure	39,190,000
	Post employment benefits	
2810	Accumulated sick leave	1,719,849
2820	Accrued vacation pay	16,450,530
2830	Accrued pensions payable	0
2840	Accrued Workplace Safety and Insurance Board claims (WSIB)	48,817,037
2898	Other — Other	92,557,977
2899	**Subtotal post employment benefits**	159,545,393
	Liability for contaminated sites	
2910	Remediation costs of contaminated sites	850,000
9940	**TOTAL Liabilities**	1,020,625,235
9945	**Net Financial Assets / Net Debt (Total Financial Assets LESS Total Liabilities)**	393,817,952

	Non-Financial Assets	1
		$
6210	Tangible Capital Assets (SLC 51 9921 11)	3,900,059,371
6250	Inventories of Supplies	4,839,711
6260	Prepaid Expenses	18,029,939
6299	**Total Non-Financial Assets**	3,922,929,021
9970	**Total Accumulated Surplus/(Deficit)**	4,316,746,973

	Analysis of the Accumulated Surplus/(Deficit)	1
		$
6410	Equity in Tangible Capital Assets	3,932,876,688
6420	Reserves and Reserve Funds (SLC 60 2099 02 + SLC 60 2099 03)	761,075,217
6430	General Surplus/ (Deficit)	0
6431	Unexpended capital financing	-11,898,696
	Local boards	
5030	Transit operations	0
5035	Water operations	0
5040	Wastewater operations	0
5041	Solid waste operations	0
5045	Libraries	0
5050	Cemeteries	0
5055	Recreation, community centres and arenas	0
5060	Business Improvement Area	115,811
5076	Other	0
5077	Other — Other	2,266,757
5078	Other	0
5079	Other — Other	113,678
5098	**Total Local Boards**	2,496,246
5080	Equity in Government Business Enterprises (SLC 10 6090 01)	189,381,478
6601	Unfunded Employee Benefits	-161,807,106
6602	Unfunded Landfill closure costs	-39,190,000
6603	Unfunded Remediation costs of contaminated sites	-850,000
6610	Other — Other	-291,307,905
6620	Other	0
6630	Other — Other	-64,028,949
6640	Other	0
6699	**Total Other**	-557,183,960
9971	**Total Accumulated Surplus/(Deficit)**	4,316,746,973

2018.01001

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Asmt Code: 3936
MAH Code: 59101

Single/Lower-Tier ONLY **Schedule 72**

CONTINUITY OF TAXES RECEIVABLE

for the year ended December 31, 2018

	Continuity of Taxes Receivable	9
		$
0210	Taxes receivable, beginning of year	14,208,073
0215	PLUS: Amounts added to tax bills for collection purposes only	1,702,742
0220	PLUS: Tax amounts levied in the year (SLC 26 9199 03)	739,627,596
0225	PLUS: Current Year Penalties and Interest	4,559,665
0240	LESS: Total cash collections (SLC 72 0699 09)	740,428,818
0250	LESS: Tax adjustments before allowances (SLC 72 2899 09)	4,763,354
0260	LESS: Tax adjustments not applied to taxation (SLC 72 4999 09)	62,515
0280	PLUS:	
0290	Taxes receivable, end of year	14,843,389

	Cash Collections	9
		$
0610	Current year's tax	713,939,672
0620	Previous year's tax	20,696,374
0630	Penalties and interest	4,103,737
0640	Amounts added to tax bills for collection purposes only	1,689,035
0690	Other	
0699	**TOTAL Cash Collections**	740,428,818

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Single/Lower-Tier ONLY Schedule 72
CONTINUITY OF TAXES RECEIVABLE
for the year ended December 31, 2018

	Tax Adjustments Applied to Taxation	SCHOOL BOARDS English - Public 1 $	French - Public 2 $	English - Separate 3 $	French - Separate 4 $	Other 5 $	TOTAL Education 6 $	Lower-Tier (Single-Tier) 7 $	Upper-Tier 8 $	TOTAL Tax Adjustment 9 $
1099	Municipal Act (353, 354, 357, 358, RfR)	832,731	5,567	152,532	12,755		1,003,585	443,618		1,447,203
1299	Discounts for Advance Payments (Mun. Act 345(10))									0
1499	Tax Credit (Mun. Act 474.3)									0
1699	Tax Cancellation - Low income seniors and Disabled persons (Mu						0			0
1810	Rebates to Commercial properties (Mun. Act 362)						0			0
1820	Rebates to Industrial properties (Mun. Act 362)						0			0
1899	**Subtotal**	0	0	0	0	0	0	0	0	0
2099	Rebates for Charities (Mun. Act 361)	221,438	2,085	56,568	4,940		285,031	535,158		820,189
2299	Vacant Unit Rebates (Mun. Act 364)	683,358	6,428	174,454	15,208		879,448	1,483,904		2,363,352
2399	Reduction for Heritage Property (Mun. Act 365.2)						0			0
2890	Other LEGIONS						0	44,134		44,134
2891	Other MUNICIPAL HOUSING						0	308,448		308,448
2892	Other Less: Prior Yr. Tax Adj Allowance						0	-219,972		-219,972
2893	Other						0			0
2899	**Tax adjustments before allowances**	1,737,527	14,080	383,554	32,903	0	2,168,064	2,595,290	0	4,763,354

	Tax Adjustments Not Applied to Taxation	SCHOOL BOARDS English - Public 1 $	French - Public 2 $	English - Separate 3 $	French - Separate 4 $	Other 5 $	TOTAL Education 6 $	Lower-Tier (Single-Tier) 7 $	Upper-Tier 8 $	TOTAL Tax Adjustment 9 $
4010	Tax sale, Tax registration accounts							62,205		62,205
4210	Tax Deferral - Low income seniors and Disabled persons (Mun. Ac	39					39	271		310
4420	Net Impact of 5% Capping Limit Program						0			0
4890	Other						0			0
4891	Other						0			0
4999	**Tax Adjustments Not Applied to Taxation**	39	0	0	0	0	39	62,476	0	62,515

Additional Information

		1	2	3	4	5	6	7	8	9
6010	Recovery of Tax Deferrals	10		33			43	145		188
7010	Entitlement of School Boards	112,464,976	772,920	24,681,650	1,622,634	0	139,542,180			

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 74
LONG TERM LIABILITIES AND COMMITMENTS
for the year ended December 31, 2018

DRAFT

1. Debt burden of the municipality

Code	Description	1 $
	All outstanding debt issued by the municipality, predecessor municipalities and consolidated entities	
0210	To Ontario and agencies	48,946,380
0220	To Canada and agencies	9,083,956
0230	To Others	271,582,241
0297	Other	0
0298	Other	0
0299	**Subtotal**	329,612,577
0499	PLUS: All debt assumed by the municipality from others	0
	LESS: All debt assumed by others	
0610	Ontario	
0620	School boards	
0630	Other Municipalities	7,979,824
0640	Government Business Enterprises	
0697	Other	
0698	Other	
0699	**Subtotal**	7,979,824
	LESS: Debt retirement funds	
0810	Sewer	
0820	Water	
0896	Other	
0897	Other	
0898	Other	
0899	**Subtotal**	0
	LESS: Own sinking funds (Actual balances)	
1010	General municipal	
1020	Enterprises and others	
1096	Other	
1097	Other	
1098	Other	
1099	**Subtotal**	0
9910	**TOTAL Net Long Term Liabilities of the Municipality**	321,632,753

2. Debt burden of the municipality: Analysed by debt instrument

Code	Description	1 $
1210	Sinking fund debentures	
1220	Installment (serial) debentures	303,427,444
1230	Long term bank loans	
1240	Lease purchase agreements (Tangible capital leases)	1,081,796
1250	Mortgages	
1280	Construction Financing Debentures	
1297	Other: OMEX & Capital Grants	7,700,000
1298	Other: Urban Works	9,423,513
9920	**TOTAL Net Long Term Liabilities of the Municipality**	321,632,753

3. Debt burden of the municipality: Analysed by function

Code	Description	1 $
1405	General government	5,118,949
1410	Protection services	12,219,253
	Transportation services:	
1415	Roadways	69,944,872
1416	Winter Control	
1420	Transit	24,259,847
1421	Parking	
1422	Street Lighting	423,029
1423	Air Transportation	
	Environmental services:	
1425	Wastewater system	56,583,233
1430	Storm water system	29,756,135
1435	Waterworks system	15,545,107
1440	Solid Waste collection	
1445	Solid Waste disposal	
1446	Waste diversion	
1450	Health services	
1455	Social and family services	11,723,838
1460	Social housing	
	Recreation and cultural services:	
1465	Parks	2,753,619
1466	Recreation programs	
1471	Recreation facilities - Golf Course, Marina, Ski Hill	
1474	Recreation facilities - All Other	53,206,082
1475	Libraries	7,524,064
1476	Museums	
1477	Cultural services	
1480	Planning and development	15,751,212
1490	Other long term liabilities	16,823,513
9930	**TOTAL Net Long Term Liabilities of the Municipality**	321,632,753

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 74

LONG TERM LIABILITIES AND COMMITMENTS

for the year ended December 31, 2018

4. Debt payable in foreign currencies (net of sinking fund holdings)

		1
		$
	US Dollars:	
1610	Canadian dollar equivalent included in SLC 74 9910 01	
1620	Par value in 'U.S. Dollars'	
	Other currency:	
1630	Canadian dollar equivalent included in SLC 74 9910 01	
1640	Par value in	
1650	Canadian dollar equivalent included in SLC 74 9910 01	
1660	Par value in	

5. Interest earned on sinking funds and on debt retirement funds during the year

1810	Own funds	

6. Details of sinking fund balance

2010	Value of own sinking fund debentures issued and outstanding at year end	
	Balance of own sinking funds at year end	
2110	Total contributions to own sinking funds	
2120	Total income earned from investments of sinking funds' monies	
2199	**Subtotal**	0
2210	Estimated total future contributions from this municipality required to meet obligations in line 2010 above	
2220	Estimated total future income earned from investments in lines 2199 and 2210 above	

7. Long term commitments at year end

2410	Hospital support	
2420	University support	
2430	Leases and other agreements	
2440	Capital equipment, land acquisition	
2496	Other	
2497	Other	
2498	Other	
2499	**TOTAL**	0

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 74
LONG TERM LIABILITIES AND COMMITMENTS
for the year ended December 31, 2018

	8. Contingent liabilities	Contingent Liabilities 4 Y or N	Is Value in Column 2 Estimated? 1 Y or N	Value 2 $	Number of Years Payable Over 3 Years
2610	Pending or threatened litigation			0	
2620	Retroactive wage settlements			0	
2630	Guarantees of long term indebtedness in the name of the municipality but assumed by others			0	
2640	Outstanding loans guaranteed			0	
2698	Other			0	
2699	**TOTAL**			0	

	10. Debt Charges for the current year	Principal 1 $	Interest 2 $	Total 3 $
	Recovered from the Consolidated Statement of Operations			
3012	General Tax Rates	42,080,041	7,418,325	
3014	Other	0	0	
3015	Tile Drainage/Shoreline Assistance	0	0	
3020	Recovered from reserve funds	10,009,699	2,187,475	
	Recovered from unconsolidated entities:			
3030	Electricity	0	0	
3040	Gas	0	0	
3050	Telephone	0	0	
3097	Other		0	
3098	Other	0	0	
3099	**TOTAL**	52,089,740	9,605,800	
	Line 3099 includes:			
3110	Lump sum (balloon) repayments of long term debt	0	0	
3120	Provincial Grant funding for repayment of long term debt	0	0	
	Analysis of Lease Purchase Agreements (Tangible Capital Leases)			
3140	Debt charges for Lease purchase agreements (Tangible capital leases)	752,894	49,458	802,352

	11. Long term debt refinanced	Principal 1 $	Interest 2 $
3410	Repayment of Provincial Special Assistance	0	0
3420	Other long term debt refinanced	0	0

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 74
LONG TERM LIABILITIES AND COMMITMENTS
for the year ended December 31, 2018

12. Future principal and Interest payments on EXISTING debt

		RECOVERABLE FROM:							
		Consolidated Statement of Operations		Reserve Funds		Unconsolidated Entities		All Others	
		Principal 1 $	Interest 2 $	Principal 3 $	Interest 4 $	Principal 5 $	Interest 6 $	Principal 7 $	Interest 8 $
3210	Year 2019	53,860,172	6,657,603	4,294,147	481,518	0	0	7,912,724	945,060
3220	Year 2020	42,858,023	5,453,387	4,424,921	346,618	0	0	8,055,724	811,968
3230	Year 2021	39,839,519	4,270,400	2,020,748	198,564	0	0	8,214,033	664,666
3240	Year 2022	29,136,219	3,141,009	2,082,454	127,960	0	0	7,108,616	508,313
3250	Year 2023	23,875,124	2,196,157	1,158,855	51,923	0	0	6,584,336	974,523
3260	Years 2024 to 2028	56,515,981	3,411,023	487,141	8,456	0	0	22,531,669	574,363
3270	Years 2029 onwards	409,847	16,536	0	0	0	0	262,500	11,644
3280	Int. to be earned on sink. funds								
3299	**TOTAL**	246,494,885	25,146,115	14,468,266	1,215,039	0	0	60,669,602	4,490,537

13. Other notes

Please list all Other Notes and forward supporting schedules as required by email to: **FIR.mah@ontario.ca**

3601

* Use ALT + ENTER Keys to "Return" to the next line.

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2018

	1. Municipal workforce profile	Full-Time Funded Positions 1 #	Part-Time Funded Positions 2 #	Seasonal Employees 3 #
	Employees of the Municipality			
0205	Administration	220.00	1.00	4.00
0210	Fire	394.00	0.00	0.00
0211	Uniform	330.00		
0212	Civilian	64.00		
0215	Police	0.00	0.00	0.00
0216	Uniform			
0217	Civilian			
0260	Court Security	0.00	0.00	0.00
0261	Uniform			
0262	Civilian			
0263	Prisoner Transportation	0.00	0.00	0.00
0264	Uniform			
0265	Civilian			
0220	Transit			
0225	Public Works			
0227	Ambulance	0.00	0.00	0.00
0228	Uniform			
0229	Civilian			
0230	Health Services			
0235	Homes for the Aged	153.00	208.00	1.00
0240	Other Social Services	364.00	3.00	9.00
0245	Parks and Recreation	107.00		1,548.00
0250	Libraries			
0255	Planning	45.00		2.00
0290	Other	215.00	2.00	18.00
0298	**Subtotal**	1,498.00	214.00	1,582.00
0300	Proportion of Munic. Empl. covered by 'Collective Agreements' (%)			
	Employees of Joint Local Boards			
0305	Administration			
0310	Fire	0.00	0.00	0.00
0311	Uniform			
0312	Civilian			
0315	Police	850.00	4.00	0.00
0316	Uniform	634.00		
0317	Civilian	216.00	4.00	
0360	Court Security	0.00	0.00	0.00
0361	Uniform			
0362	Civilian			
0363	Prisoner Transportation	0.00	0.00	0.00
0364	Uniform			
0365	Civilian			
0320	Transit			
0325	Public Works	852.00	3.00	178.00
0327	Ambulance	0.00	0.00	0.00
0328	Uniform			
0329	Civilian			
0330	Health Services			
0335	Homes for the Aged			
0340	Other Social Services			
0345	Parks and Recreation			
0350	Libraries			
0355	Planning			
0390	Other	1,520.00		
0398	**Subtotal**	3,222.00	7.00	178.00
0399	**TOTAL**	4,720.00	221.00	1,760.00

FIR2018: London C

Asmt Code: 3936
MAH Code: 59101

Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2018

2. Selected investments of own sinking funds as at Dec. 31

		Own Municipality 1 $	Other Munic., School Boards 2 $	Provincial 3 $	Federal 4 $
0610	Own sinking funds				

3. Municipal procurement this year

		Number of Contracts 1 #	Value of Contracts 2 $
1010	Total construction contracts awarded	683	113,949,073
1020	Construction contracts awarded at $100,000 or greater	62	101,384,858

4. Building permit information

		Number of Building Permits 1 #	Total Value of Building Permits 2 $
1210	Residential properties	2,482	339,137,194
1220	Multi-Residential properties	220	424,033,843
1230	All other property classes	1,092	239,831,606
1299	**Subtotal**	3,794	1,003,002,643

5. Insured value of physical assets

		1 $
1410	Buildings	2,019,400,805
1420	Machinery and equipment	15,449,303
1430	Vehicles	172,446,850
1497	Other Contents	56,512,295
1498	Other	
1499	**Subtotal**	2,263,809,253

6. Total Dollar Losses due to Structural Fires

		1 $
1510	Losses due to structural fires, averaged over 3 yrs (2016 - 2018)	

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Schedule 80

STATISTICAL INFORMATION

for the year ended December 31, 2018

7. Alternate service delivery arrangements

Municipal services which the municipality currently provides through some form of alternate service delivery: (Top 10 by Operating Expenses)

	Municipal service 1	S40 Functional Heading 3 LIST	S40 Line Number 2	Statement of Operations: Expenses 4 $	Comments 5
1601	Animal Control Services	Protective inspection and control	0440	636,743	
1602	Recycling	Waste diversion	0860	11,743,316	
1603	Land Ambulance	Ambulance dispatch	1035	14,736,200	
1604	OW Employee Services	General assistance	1210	6,490,365	
1605					
1606					
1607					
1608					
1609					
1610					

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Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2018

8. Consolidated Local boards including Joint local boards and all local entities set up by the municipality

(I) PROPORTIONALLY CONSOLIDATED joint local boards

	Name of Board or Entity 1	Board Description 3 LIST	Board Code 2	Proportion of Total Munic. Contributions Consolidated 4 %	Municipality's Share of Total Contributions 5 $	Municipality's Share of Total Fee Revenues 6 $
0801	Lake Huron Water Supply System	Water Board	0802	53%	0	0
0802	Elgin Water Supply System	Water Board	0802	84%	0	0
0803						
0804						
0805						
0806						
0807						
0808						
0809						
0810						
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0849						

FIR2018: London C

Asmt Code: 3936

MAH Code: 59101

Schedule 80

STATISTICAL INFORMATION

for the year ended December 31, 2018

(II) FULLY CONSOLIDATED local boards and any local entities set up by the municipality

	Name of Board or Entity 1	Board Description 3 LIST	Board Code 2	Proportion of Total Munic. Contributions Consolidated 4 %	Municipality's Share of Total Contributions 5 $	Municipality's Share of Total Fee Revenues 6 $
0851	London Police Services Board	Police Board	0402	100%		
0852	London Transit Commission	Transit Commission	0602	100%		
0853	London Public Library Board	Library Board	1604	100%		
0854	Old East Village Business Improvement Area	Business Improvement Area	1805	100%		
0855	London Downtown Business Association	Business Improvement Area	1805	100%		
0856	Argyle Business Improvement Area Board	Business Improvement Area	1805	100%		
0857	London Convention Centre Corporation	Other	9001	100%		
0858	Covent Garden Market Corporation	Other	9001	100%		
0859	Museum London	Museum	1605	100%		
0860	Eldon House	Museum	1605	100%		
0861	Middlesex-London Health Unit	Health Board (Unit), Medical Centre	1001	100%		
0862	Public Utility Commission of the City of London	Other	9001	100%		
0863	London & Middlesex Housing Corporation	Housing Authority	1401	100%		
0864	Housing Development Corporation	Housing Authority	1401	100%		
0865	Hyde Park Business Improvement Association	Management Board	0201	100%		
0866				100%		
0867				100%		
0868				100%		
0869				100%		
0870				100%		
0871				100%		
0872				100%		
0873				100%		
0874				100%		
0875				100%		
0876				100%		
0877				100%		
0878				100%		
0879				100%		
0880				100%		
0881				100%		
0882				100%		
0883				100%		
0884				100%		
0885				100%		
0886				100%		
0887				100%		
0888				100%		
0889				100%		
0890				100%		
0891				100%		
0892				100%		
0893				100%		
0894				100%		
0895				100%		
0896				100%		
0897				100%		
0898				100%		
0899				100%		

FIR2018: London C

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MAH Code: 59101

Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2018

9. Building Permit Information (Performance Measures)

		Column 1 #	Column 2 #	Column 3 #	Description 4 LIST
1300	What method does your municipality use to determine total construction value?				TACBOC Construction Value Standard
1302	If "Other Method" is selected in line 1300, please describe the method used to determine total construction value				

Total Value of Construction Activity

		1 $
1304	Total Value of Construction Activity for 2018 based on permits issued	1,003,002,643

Review of Complete Building Permit Applications: Median number of working days to review a complete building permit application and issue a permit or not issue a permit, and provide all reasons for refusal (by Category):

		Median Number of Working Days 1 #
1306	**Category 1 : Houses (houses not exceeding 3 storeys/600 square metres)** Reference : provincial standard is 10 working days	10
1308	**Category 2 : Small Buildings (small commercial/industrial not exceeding 3 storeys/600 square metres)** Reference : provincial standard is 15 working days	19
1310	**Category 3 : Large Buildings (large residential/commercial/industrial/institutional)** Reference : provincial standard is 20 working days	21
1312	**Category 4 : Complex Buildings (post disaster buildings, including hospitals, power/water, fire/police/EMS), communications**	

Note : If no complete applications were submitted and accepted for a Category on lines 1306 to 1312, please leave the cell blank and do not enter zero.

Number Of Building Permit Applications

		Number of Complete Applications 1 #	Number of Incomplete Applications 2 #	Total Number of Complete and Incomplete Applications 3 #
1314	**Category 1 : Houses (houses not exceeding 3 storeys/600 square metres)**	2,357	267	2,624
1316	**Category 2 : Small Buildings (small commercial/industrial not exceeding 3 storeys/600 square metres)**	247	50	297
1318	**Category 3 : Large Buildings (large residential/ commercial/ industrial/ institutional)**	673	70	743
1320	**Category 4 : Complex Buildings (post disaster buildings, including hospitals, power/water, fire/police/EMS), communications**	8	1	9
1322	**Subtotal**	3,285	388	3,673

Note: Zero should be entered on lines 1314 to 1320 in column 1 if no complete applications were submitted and accepted for a category.
Zero should be entered in column 2 if no incomplete applications were submitted and accepted for a category.

10. Planning and Development

Land Use Planning (using building permit information)

		Residential Units within Settlement Areas 1 #	Total Residential Units 2 #	Total Secondary Units 3 #
1350	Number of residential units in new detached houses			
1352	Number of residential units in new semi-detached houses			
1354	Number of residential units in new row houses			
1356	Number of residential units in new apartments/condo apartments			
1358	**Subtotal**	0	0	0

Land Designated for Agricultural Purposes

		Hectares 1 #
1370	Hectares of land designated for agricultural purposes in the Official Plan as of December 31, 2018.	

11. Transportation Services

		1 #
1710	Roads : Total Paved Lane Km	
1720	Condition of Roads : Number of paved lane kilometres where the condition is rated as good to very good.	

		Column 1 #	Column 2 #	Column 3 #	Description 4 LIST
1722	Has the entire municipal road system been rated?				
1725	Indicate the rating system used and the year the rating was conducted				

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Asmt Code: 3936
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Schedule 80
STATISTICAL INFORMATION
for the year ended December 31, 2018

1730	Roads : Total UnPaved Lane Km	
1740	Winter Control : Total Lane Km maintained in winter	
1750	Transit : Total Number of Regular Service Passenger Trips on Conventional Transit in Service Area.	
1755	Transit : Population of Service Area.	
1760	Bridges and Culverts : Total Square Metres of Surface Area on Bridges and Culverts	

	Rating Of Bridges And Culverts	Number of structures where the condition of primary components is rated as good to very good, requiring only repair 1 #	Total Number 2 #
1765	Bridges		
1766	Culverts		
1767	**Subtotal**	0	0

		Column 1 #	Column 2 #	Column 3 #	Description 4 LIST
1768	Have all bridges and culverts in the municipal system been rated?				
1769	Indicate the rating system used and the year the rating was conducted.				

	12. Environmental Services	1 #
1810	Wastewater Main Backups : Total number of backed up wastewater mains	
1815	Wastewater Collection/Conveyance : Total KM of Wastewater Mains.	
1820	Wastewater Treatment and Disposal : Total Megalitres of Wastewater Treated.	
1825	Wastewater Bypasses Treatment : Estimated megalitres of untreated wastewater.	
1835	Urban Storm Water Management : Total KM of Urban Drainage System plus (0.005 KM times No. of Catch basins)	
1840	Rural Storm Water Management : Total KM of Rural Drainage System plus (0.005 KM times No. of Catch basins).	
1845	Water Treatment : Total Megalitres of Drinking Water Treated.	
1850	Water Main Breaks : Number of water main breaks in a year.	
1855	Water Distribution/Transmission : Total kilometres of Water Distribution / Transmission Pipe.	
1860	Solid Waste Collection : Total tonnes collected from all property classes.	
1865	Solid Waste Disposal : Total tonnes disposed of from all property classes.	
1870	Waste Diversion : Total tonnes diverted from all property classes.	

	13. Recreation Services	1 #
1910	Trails : Total kilometres of trails (owned by municipality and third parties).	
1920	Indoor recreation facility space : Square metres of indoor recreation facilities (municipally owned).	
1930	Outdoor recreation facility space : Square metres of outdoor recreation facility space (municipally owned).	

	14. Other Revenue (Used for the calculation of Operating Cost)	1 $
2310	Fire Services: Other revenue.	
2320	Paved Roads : Other revenue.	
2330	Solid Waste Disposal : Other revenue.	
2340	Waste Diversion : Other Revenue.	
2370	Assessment on Exempt Properties (Enter data from returned roll)	

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Asmt Code: 3936
MAH Code: 59101

Schedule 81
ANNUAL DEBT REPAYMENT LIMIT
based on the information reported for the year ended December 31, 2018

NOTE: THE ESTIMATED ANNUAL REPAYMENT LIMIT IS EFFECTIVE JANUARY 01, 2020

Please note that fees and revenues for Homes for the Aged are not reflected in this estimate.

	DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT	1
	Debt Charges for the Current Year	$
0210	Principal (SLC 74 3099 01)	52,089,740
0220	Interest (SLC 74 3099 02)	9,605,800
0299	**Subtotal**	**61,695,540**
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	**Total Debt Charges**	61,695,540

		1
	Excluded Debt Charges	$
1010	Electricity - Principal (SLC 74 3030 01)	0
1020	Electricity - Interest (SLC 74 3030 02)	0
1030	Gas - Principal (SLC 74 3040 01)	0
1040	Gas - Interest (SLC 74 3040 02)	0
1050	Telephone - Principal (SLC 74 3050 01)	0
1060	Telephone - Interest (SLC 74 3050 02)	0
1099	**Subtotal**	**0**
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02)	0
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02)	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02)	0
1420	**Total Debt Charges to be Excluded**	**0**
9920	**Net Debt Charges**	**61,695,540**

		1
		$
1610	Total Revenues (* Sale of Hydro Utilities Removed) (SLC 10 9910 01)	1,422,794,513
	Excluded Revenue Amounts	
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC10 0815 01)	253,566,747
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	49,015,044
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 0830 01)	16,109,391
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 0831 01)	7,000,835
2230	Revenue from other municipalities, including Revenue for Tangible Capital Assets (SLC 10 1099 01 + SLC 10 1098 01)	5,644,124
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	29,819
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	49,986,466
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	99,450
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	73,284,511
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	13,404,575
2299	**Subtotal**	**468,140,962**
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	
2610	**Net Revenues**	**954,653,551**
2620	**25% of Net Revenues**	**238,663,388**
9930	**ESTIMATED ANNUAL REPAYMENT LIMIT**	**176,967,848**

For Illustration Purposes Only

Annual Interest Rate		Term		
	@		years =	

2018 Consolidated Financial Report

Audit Committee
June 19, 2019

Composition of Financial Consolidated Report

- Highlights of Key Financial Policies
- Economic Overview
- 2018 Financial Results including trends
- Five Year Review and General Statistics
- Consolidated Financial Report

Section 294.1 of the **Municipal Act, 2001** indicates that for each fiscal year, a municipality **shall** prepare annual financial statements in accordance with **generally accepted accounting principles**.

Consolidated Financial Report

Reflects the assets, liabilities, revenues, and expenses of the Corporation, including:

- 14 fully consolidated boards and commissions
- 3 proportionately consolidated entities
- 3 government business enterprises

(Refer to Note 1 for breakdown)

Consolidated Statements Comprise

Statement of Financial Position

Provides a summary of the City's **assets** (financial and non financial) and **liabilities**, both present and future, at a point in time

Statement of Operations

Summarizes **revenues**, **expenses**, **surplus for the year** and calculation of the City's **accumulated surplus** at year end

Statement of Changes in Net Financial Assets

Shows the changes in net financial assets as a result of annual operations, **tangible capital asset transactions**, as well as changes in other non-financial assets.

Statement of Cash Flows

Summarizes the City's **cash position** and changes during the year. Shows all the sources and uses of cash.

Statement of Financial Position

- The City has **improved** it's **net financial assets** position to $394 million
  - An **improvement** of **$121.5** million from 2017.
  - Strengthens our future liquidity to pay our liabilities and future expenses.
- Overall financial assets have increased $141.9 million
  - **Cash and cash equivalents** (Note 2) have **increased** $89.5 million
  - **Investments** (Note 4) have **increased** $28.6 million
  - **Investments in government business enterprises and partnerships** (Note 6) have **increased** $8.4 million
- Overall financial liabilities have increased $20.4 million
  - **Deferred Revenue** (Note 7) has **increased** $2.8 million – obligatory reserve funds
  - **Employee benefits** (Note 12) payable **increased** by $4.7 million
  - **Accounts Payable** and **accrued liabilities** have **increased** approximately $5.4 million
  - **Increase** in **Long Term Debt** of $2.9 million

NOTE: Based on further review and analysis, the audit identified that **$7.3 million** of Urban Works Assets were **recognized** too soon. This would result in a correction required to our Financial Liabilities; the **Urban Works Payable.**

The City's Net Financial Assets Position would increase to $401 million

Statement of Financial Position Continued

Non Financial Assets:

- Tangible capital assets (Note 14) are not liquid or readily available for sale
  - Places more emphasis on the net debt or net financial asset position of a municipality.
  - Net Book Value **increased** by **$150.3 million**, due to the ongoing investment in the City's infrastructure.
  - Note: Land which is specifically held for resale is recorded as an inventoried item in our financial assets

Accumulated surplus:

- The total of the City's financial assets, liabilities and non financial assets.
  - **Increase** over 2017 by **$272.4 million**.
  - Accumulated surplus **includes** the balances of the City's consolidated **reserves** and **reserve funds**.
  - Indicates a governments ability to provide future services.

NOTE: Based on further review and analysis, audit identified that **$7.3 million** of Urban Works assets were **recognized** too soon. This would result in a correction required to **Tangible Capital Assets** which would be offset by a corresponding reduction to the **Urban Works Payable.**

Net Book Value of Assets – December 31, 2018 (in millions)

Tangible Capital Assets (Note 14)	Historical Cost 2018	Accumulated Amortization 2018	Net Book Value 2018
Land	$ 440	$ -	$ 440
Landfill and Land Improvements	158	81	77
Buildings and Building Improvements	1,078	482	596
Leasehold Improvements	8	2	6
Machinery, Equipment and Furniture	439	256	183
Vehicles	133	70	63
Water Infrastructure	785	255	530
Wastewater Infrastructure	1,454	466	988
Roads Infrastructure	1,370	499	871
Computers and Computers under lease	23	14	9
Assets under Construction	137	-	137
Totals	**$ 6,025**	**$ 2,125**	**$ 3,900**

Notable Assets Recognized in 2018

- Greenway Pollution Control Plant Expansion $42 million
- Southwest Community Centre (Bostwick) $34.3 million
  (land was recognized in prior years)
- Dundas Flex Street Phase 1 (Dundas Place) $9.4 million
- Blackfriars Bridge Rehabilitation $8.8 million

- Developer contributions $73.3 million
  - 13.5 kilometres of roadways assumed (land, base, & surface)
  - 17.9 kilometres of sidewalk
  - 23 kilometres of water pipe
  - 10.3 kilometres of sanitary sewer pipes
  - 10.5 kilometres of storm sewer pipes

Requirements setout in development agreements between the City and Developer

Statement of Operations - Expenses

- Overall, **expenses increased** by **$66.5 million** in 2018
  - a **6.1% increase** over 2017
- The largest expenditure increases over the prior year were realized in:
  - **Transportation Services** $27.0 million; Roadways and Transit
  - **Social and Family Services** $20.3 million; Childcare
  - **Environmental Services** $4.7 million; Water and Wastewater
- **Key items different than budget:**
  - **Amortization** is recorded as an **expense** on the Statement of Operations
  - **Debt principal** repayments are **not expensed**.
  - Contributions to **capital and reserve funds** are also **not expensed**.

Statement of Operations - Revenues

- Overall, 2018 revenues increased $172.6 million compared to 2017.
  - a **13.8% increase** over 2017
- There were increases both in **tax revenue and user charges** for a total **increase** of **$33.6** million.
- **Government transfers** increased **$49.7** million
  - This is mainly due to additional funding for childcare, water/ wastewater, and transportation.
- Development charges recognized increased by **$36.3** million
- Developer Contributions of Tangible Capital Assets totaled $73.3 million, an **increase of $36.5 million** over 2017.

City Budget vs. PSAB Accounting (000's)

Statement of Operations - Revenues	City Budget 2018 (Unconsolidated)	PSAB Accounting 2018 Actuals
Net Municipal Taxation	599,295	604,712
Grants, User Fees and Other Revenue	486,488	534,513
Transfers from Capital and Reserve Funds	7,757	-
Capital Funding Earned	-	57,051
Developer Contributions	-	73,284
Reserve Fund Deferred Revenue Earned	-	62,601
Government Business Enterprise Adjustments	-	8,405
Boards and Commissions Surplus	-	7,636
Total Revenues	**1,093,540**	**1,348,202**

City Budget vs. PSAB Accounting (000's) continued

Statement of Operations - Expenses	City Budget 2018 (Unconsolidated)	PSAB Accounting 2018 Actuals
Operating Expenses	874,354	881,499
Debt Principal Repayments	41,210	-
Transfer to Reserve & Reserve Funds	96,515	-
Capital Expenditures (pay as you go financing)	81,461	-
Capital Expenses not capitalized	-	40,815
Amortization	-	144,101
Loss on Disposal of Capital Assets	-	2,478
Landfill, Contaminated Sites, and Employee future benefits Liability	-	6,917
Total Expenses	**1,093,540**	**1,075,810**
Annual Surplus	**0**	**272,392**

Comparing the Budget Surplus to Financial Statement Surplus

2018 Operating Budget Surplus per the Year-End Budget Monitoring Report to Corporate Services Committee on April 16, 2019	$ millions
Property Tax Supported Budget Surplus	6.0
Water Rate Supported Budget Surplus	0.0
Wastewater & Treatment Rate Supported Budget Surplus	3.2
2018 Operating Budget Surplus	**9.2**
Transfers to Reserve and Reserve Funds and reductions to authorized but unissued debt in accordance with the Council approved Surplus/Deficit Policy and Council Resolution	(9.2)
Operating Fund Surplus per 2018 Approved Budget (Cash Format)	**0.0**
Financial Statement adjustments:	
Plus: Transfers to (from) Capital and Reserves and Reserve Funds	218.8
Plus: Debt Principal Repayments	38.9
Plus: Capital program funding earned in year	57.2
Less: Capital expenses not capitalized (Non-TCA)	(40.8)
Less: Amortization of Tangible Capital Assets (TCA)	(144.1)
Plus: Developer contributions of assumed TCA	73.3
Less: Loss on disposal of TCA	(2.5)
Plus: Reserves and reserve fund net revenues earned in year	62.6
Plus: Government Business Enterprises adjustments	8.4
Less: Change in landfill liability, contaminated site liability and employee future benefit liability	(6.9)
Plus: Boards' and Commission's Surpluses	7.5
2018 Consolidated Surplus per Financial Statements (PSAB Format)	**272.4**

Edits to Draft Financial Report

- Corrections to Consolidated Statement of Financial Position, Statement of Net Financial Assets, Statement of Cash Flows, and Note 14 Tangible Capital Assets
  - Adjustments to Urban Works Payable and Tangible Capital Assets; $7.3 million
- Corrections to Commitments (Note 18) related to a typo for Fleet, along with allocations for sewer infrastructure; sanitary and storm.

Public Sector Accounting Board (PSAB) Landscape

- Public Sector Accounting Standards (PSAS) **continue** to develop; improving **transparency**, **recognition** and **disclosure**.

Previous	Recent	Upcoming
Tangible Capital Assets	Related Party Disclosures	Asset Retirement Obligations
Government Transfers	Inter-entity Transactions	Restructuring Transactions
Tax Revenue		Financial Instruments
Liability for Contaminated Sites		Financial Statement Presentation
		Portfolio Investments

Planning for PSAS
(i.e. Asset Retirement Obligation)

- Preliminary Implementation Plan Considerations
  - Technical Accounting
    - ➢ Policies, business/ process, auditor review
  - Data and Systems Development
    - ➢ Gaps, systems design, system solution, testing, deployment
  - Process/ close and report
    - ➢ Reporting/ controls, implementation review
  - Readiness and training
    - ➢ Accounting team, business unit training
  - Program Management
    - ➢ Communication

*Based on an illustrative roadmap provided by Deloitte LLP "Sustainability in corporate reporting"

Internal Controls

- KPMG has identified areas where our internal controls can continue to be **strengthened**.
- Further work is required **to build** and **educate** on existing processes and awareness.
- Opportunities to leverage existing city initiatives to increase **education, communication,** and **coordination**.

Where do we go from here?

- KPMG will present their **Audit Findings Report**

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Financial Position
As at December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	2018	2017
Financial assets		
Cash and cash equivalents (Note 2)	**$ 490,040**	$ 400,503
Accounts receivable		
Taxes receivable (Note 3)	**23,072**	22,374
Other receivables	**80,299**	66,313
Land held for resale	**33,899**	32,928
Investments (Note 4)	**565,851**	537,238
Loan receivable (Note 5)	**24,130**	24,393
Investment in government business enterprises and partnerships (Note 6)	**189,381**	180,977
Total financial assets	**1,406,672**	1,264,726
Financial liabilities		
Accounts payable and accrued liabilities	**170,387**	165,010
Deferred revenue (Note 7)	**319,839**	317,043
Accrued interest on long-term debt	**2,051**	2,305
Long-term liabilities (Note 8)	**7,700**	10,100
Long-term debt (Note 9)	**303,427**	300,515
Capital lease obligations (Note 10)	**1,082**	1,835
Urban works payable (Note 11)	**2,162**	3,826
Employee benefits payable (Note 12)	**159,545**	154,874
Landfill closure and post-closure liability (Note 13)	**39,190**	36,692
Total financial liabilities	**1,005,383**	992,200
Net financial assets	**401,289**	272,526
Non-financial assets		
Tangible capital assets (Note 14)	**3,892,797**	3,749,717
Inventories of supplies	**4,840**	4,543
Prepaid expenses	**17,821**	17,569
Total non-financial assets	**3,915,458**	3,771,829
Accumulated surplus (Note 15)	**$ 4,316,747**	$ 4,044,355

Contingent liabilities, loan guarantees, commitments (Notes 16, 17, 18)

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Operations
For the year ended December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	Budget	2018	2017
Revenues			
Net municipal taxation	$ 596,888	**$ 604,712**	$ 581,481
User charges	277,770	**286,353**	275,948
Transfer payments			
Provincial	258,272	**269,676**	245,325
Federal	22,883	**56,016**	30,965
Other municipalities	5,542	**5,644**	5,317
Investment income	3,574	**18,628**	12,167
Penalties and interest	6,538	**7,984**	8,225
Development charges earned	20,475	**50,086**	13,747
Developer contributions of tangible capital assets (Note 14)	44,041	**73,284**	36,759
Other	29,150	**37,007**	27,411
Equity in earnings of government business enterprises and partnerships (Note 6)	5,362	**13,405**	12,883
Total revenues	1,270,495	**1,422,795**	1,250,228
Expenses			
General government	98,898	**97,739**	93,311
Protection to persons and property	204,978	**200,632**	199,450
Transportation services	190,161	**212,543**	185,306
Environmental services	171,960	**186,257**	181,562
Health services	25,687	**25,580**	25,037
Social and family services	264,029	**254,943**	234,535
Social housing	45,919	**54,161**	50,465
Recreation and cultural services	82,746	**85,456**	81,848
Planning and development	27,572	**33,092**	32,355
Total expenses	1,111,950	**1,150,403**	1,083,869
Annual surplus	158,545	**272,392**	166,359
Accumulated surplus, beginning of year	4,044,355	**4,044,355**	3,877,996
Accumulated surplus, end of year	$ 4,202,900	**$ 4,316,747**	$ 4,044,355

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	Budget	2018	2017
Annual surplus	$ 158,545	**$ 272,392**	$ 166,359
Acquisition of tangible capital assets	(259,685)	**(250,019)**	(276,037)
Developer contributions of tangible capital assets	(44,040)	**(73,284)**	(36,759)
Amortization of tangible capital assets	149,300	**172,672**	162,828
Proceeds from sale of tangible capital assets	-	**7,581**	15,458
Gain on disposal of tangible capital assets	-	**(30)**	(1,166)
	(154,425)	**(143,080)**	(135,676)
Change in inventories of supplies	-	**(297)**	(368)
Change in prepaid expenses	-	**(252)**	7,072
	-	**(549)**	6,704
Change in net financial assets	4,120	**128,763**	37,387
Net financial assets, beginning of year	272,526	**272,526**	235,139
Net financial assets, end of year	$ 276,646	**$ 401,289**	$ 272,526

The accompanying notes are an integral part of these consolidated financial statements.

THE CORPORATION OF THE CITY OF LONDON
Consolidated Statement of Cash Flows
For the year ended December 31, 2018, with comparative information for 2017

(all dollar amounts in thousands of dollars)

	2018	2017
Cash provided by (used in)		
Operating Activities		
Annual surplus	**$ 272,392**	$ 166,359
Items not involving cash		
Amortization of tangible capital assets	**172,672**	162,828
Developer contributions of tangible capital assets	**(73,284)**	(36,759)
Gain on disposal of tangible capital assets	**(30)**	(1,166)
Change in employee benefits payable	**4,671**	5,699
Change in landfill closure and post-closure liability	**2,498**	2,255
Equity in earnings of government business enterprises and partnerships	**(14,220)**	(13,785)
Amortization of debenture discount	**(101)**	(13)
Change in non-cash assets and liabilities		
Taxes receivable	**(698)**	2,656
Other receivables	**(13,986)**	(11,960)
Land held for resale	**(971)**	(383)
Accounts payable and accrued liabilities	**5,377**	(9,990)
Deferred revenue	**2,796**	58,287
Accrued interest on long-term debt	**(254)**	373
Urban works payable	**(1,664)**	572
Inventories of supplies	**(297)**	(368)
Prepaid expenses	**(252)**	7,072
Net change in cash from operating activities	**354,649**	331,677
Capital Activities		
Proceeds from sale of tangible capital assets	**7,581**	15,458
Acquisition of tangible capital assets	**(250,019)**	(274,401)
Net change in cash from capital activities	**(242,438)**	(258,943)
Investing Activities		
Net decrease (increase) in investments	**(28,613)**	5,650
Repayment of loans receivable	**263**	387
Repayment of promissory note receivable from government business enterprises	**855**	803
Government business enterprises and partnerships	**(39)**	99
Dividends from London Hydro Inc. (Note 6 (a)(v))	**5,000**	5,000
Net change in cash from investing activities	**(22,534)**	11,939
Financing Activities		
Long-term debt issued	**55,000**	38,915
Long-term debt repayments	**(51,987)**	(49,361)
Repayments of long-term liabilities	**(2,400)**	(2,815)
Repayments of capital lease obligations	**(753)**	(1,182)
Net change in cash from financing activities	**(140)**	(14,443)
Net change in cash and cash equivalents	**89,537**	70,230
Cash and cash equivalents, beginning of year	**400,503**	330,273
Cash and cash equivalents, end of year	**$ 490,040**	$ 400,503

The accompanying notes are an integral part of these consolidated financial statements.

(all dollar amounts in thousands of dollars)

11. Urban Works Payable (continued)

The Urban Works liability represents works as at December 31, with completion status as follows:

Table 19: Urban Works - Liability

	2018	2017
In excess of the payment cap rules	**$1,280**	$ 494
Completed but no claim received	**882**	3,332
	$2,162	$3,826

The continuity breakdown is as follows:

Table 20: Urban Works - Continuity Breakdown

		Roads	Sanitary Sewers	Storm Sewer	Storm Water	Total
Urban Works Payable	**Dec 31, 2016**	**$1,053**	**$192**	**$254**	**$1,755**	**$3,254**
Expenses: Value of construction work completed	2017	682	(159)	-	1,976	2,499
Payments: From Urban Works Reserve Funds	2017	(614)	-	-	(1,313)	(1,927)
Urban Works Payable	**Dec 31, 2017**	**1,121**	**33**	**254**	**2,418**	**3,826**
Expenses: Value of construction work completed	2018	356	140	584	109	1,189
Payments: From Urban Works Reserve Funds	2018	(1,011)	(155)	(797)	(890)	(2,853)
Urban Works Payable	**Dec 31, 2018**	**$ 466**	**$ 18**	**$ 41**	**$1,637**	**$2,162**

(all dollar amounts in thousands of dollars)

11. Urban Works Payable (continued)

The estimated future repayments of developer claims are as follows:

Table 21: Urban Works - Estimated Future Developer Claims Repayment

2019	$2,162
Total	**$2,162**

On July 24, 2018, the City resolved at its municipal council meeting to implement the full retirement of the Urban Works Reserve Funds with the adoption of the 2019 Development Charges By-law. Prior approved claims and those claims that were subject to the payment cap rules will be paid out in 2019 to help facilitate the wind-up of the reserve funds. Where no claim has been submitted prior to the adoption of the 2019 Development Charges By-law, these claims submitted for eligible work will be funded from the respective City Services Reserve Fund.

12. Employee Benefits Payable

Employee future benefits are liabilities of the Corporation to its employees and early retirees for benefits earned but not taken as at December 31. Details are as follows:

Table 22: Employee Benefits Payable

		2018	2017
Post-employment and post-retirement benefits	a)	**$ 92,558**	$ 89,764
Workplace Safety and Insurance Board Obligation	b)	**48,817**	46,710
Vacation credits	c)	**16,450**	16,187
Vested sick leave benefits	d)	**1,720**	2,213
		$159,545	$154,874

Reserve funds and reserves have been established to partially provide for these employee benefit liabilities. The reserve fund balances at the end of the year are **$106,159** (2017 - $20,404), and the reserve balances at the end of the year are **$5** (2017 - $70,380) to fund these obligations.

(all dollar amounts in thousands of dollars)

14. Tangible Capital Assets

Cost	Balance at December 31, 2017	Additions	Disposals	**Balance at December 31, 2018**
Land	$ 427,042	$ 16,211	$ 3,554	**$ 439,699**
Landfill and land improvements	150,923	12,815	5,815	**157,923**
Building and building improvements	1,007,185	73,030	2,514	**1,077,701**
Leasehold improvements	3,243	5,260	-	**8,503**
Machinery, equipment and furniture	402,155	47,634	10,495	**439,294**
Vehicles	127,299	14,717	8,525	**133,491**
Water Infrastructure	747,795	40,588	3,133	**785,250**
Wastewater infrastructure	1,395,524	59,808	1,628	**1,453,704**
Roads infrastructure	1,273,737	121,819	26,026	**1,369,530**
Computers	17,304	4,713	1,959	**20,058**
Computers under capital lease	4,148	-	1,219	**2,929**
Assets under construction	202,632	106,255	179,547	**129,340**
Total	$5,758,987	$502,850	$244,415	**$6,017,422**

Accumulated Amortization	Balance at December 31, 2017	Amortization Expense	Amortization Disposal	**Balance at December 31, 2018**
Land	$ -	$ -	$ -	**$ -**
Landfill and Improvements	78,544	7,948	5,196	**81,296**
Buildings and building improvements	453,680	31,491	2,837	**482,334**
Leasehold improvements	1,430	533	-	**1,963**
Machinery, equipment and furniture	237,501	28,891	10,492	**255,900**
Vehicles	68,072	10,705	8,429	**70,348**
Water infrastructure	241,490	16,125	2,821	**254,794**
Wastewater infrastructure	441,800	25,037	994	**465,843**
Roads infrastructure	476,279	45,644	23,370	**498,553**
Computers	8,229	5,324	1,959	**11,594**
Computers under capital lease	2,245	974	1,219	**2,000**
Assets under construction	-	-	-	**-**
Total	$2,009,270	$ 172,672	$ 57,317	**$2,124,625**

	Net book value December 31, 2017	**Net book value December 31, 2018**
Land	$ 427,042	**$ 439,699**
Landfill and land improvements	72,379	**76,627**
Buildings and building improvements	553,505	**595,367**
Leasehold improvements	1,813	**6,540**
Machinery, equipment and furniture	164,654	**183,394**
Vehicles	59,227	**63,143**
Water infrastructure	506,305	**530,456**
Wastewater infrastructure	953,724	**987,861**
Roads infrastructure	797,458	**870,977**
Computers	9,075	**8,464**
Computers under capital lease	1,903	**929**
Assets under construction	202,632	**129,340**
Total	$3,749,717	**$3,892,797**

14. Tangible Capital Assets (continued)

a) Assets under construction

Assets under construction having a value of **$129,340** (2017 - $202,632) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

In the year that an asset is placed into service, the total cost of the developed asset is transferred to each respective asset category as an addition and removed from assets under construction as a disposal.

b) Contributed Tangible Capital Assets

Contributed capital assets have been recognized at estimated fair value at the date of contribution. The value of contributed assets received during the year is **$73,284** (2017 - $36,759) comprised predominantly of roads infrastructure in the amount of **$33,896** (2017 - $10,912) and water and wastewater infrastructure in the amount of **$37,833** (2017 - $23,370)**.**

c) Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

d) Works of Art and Historical Treasures

The Corporation manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Corporation sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized in the consolidated financial statements.

e) Write-down of Tangible Capital Assets

There were write-downs of tangible capital assets during the year in the amount of **$6,293** (2017 - $8,078).

(all dollar amounts in thousands of dollars)

15. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

Table 28: Accumulated Surplus

	2018	2017
Surplus:		
Invested in tangible capital assets	**$3,925,615**	$3,783,449
Other	**(68,665)**	(126,750)
Local boards	**2,496**	2,044
Equity in government business enterprise	**189,381**	180,977
Unfunded		
Landfill closure and post-closure liability and liability for contaminated sites	**(40,040)**	(37,542)
Employee benefits payable	**(161,807)**	(157,249)
Net long-term debt	**(291,308)**	(281,602)
Total surplus	**3,555,672**	3,363,327
Reserves set aside by Council		
Working capital	**-**	13,219
Contingencies	**65,268**	111,289
General operations	**32,779**	35,675
Total reserves	**98,047**	160,183
Reserve funds set aside for specific purpose by Council		
Contingencies	**80,394**	-
Infrastructure renewal	**196,624**	174,271
Acquisition of vehicles	**28,170**	26,302
Acquisition of facilities	**22,702**	18,271
Recreational programs & facilities	**317**	382
Self-insurance (Note 16b)	**14,158**	13,927
Sick leave (Note 12d)	**1,852**	2,546
Industrial over sizing	**15,745**	16,703
Other purposes	**228,262**	195,330
Special purpose (Note 18(g)(iii)	**74,804**	73,113
Total reserve funds	**663,028**	520,845
Accumulated surplus	**$4,316,747**	$4,044,355

(all dollar amounts in thousands of dollars)

18. Commitments

a) London Middlesex Suburban Roads Commission

Section 474.18 of the *Municipal Act, 2001*, requires that the Corporation make annual payments to the County of Middlesex for an indefinite period as compensation for the reduction of income due to the dissolution of the London-Middlesex Suburban Roads Commission. The amount paid in 2018 was **$1,138** (2017 - $1,139). Payments are based on the base year of 1997 at $1,000 and are calculated contingent on annual assessment and tax rate increases.

b) Rehabilitation and Redevelopment Tax Grant Programs

The Corporation has future commitments on the various Rehabilitation and Redevelopment Programs, which are programs that allow for future reductions in property taxes. The future commitments are as follows:

Table 29: Future Tax Grant Program Commitments

2019	$ 797
2020	1,120
2021	1,020
2022	824
2023	645
Beyond	1,207
Total	**$5,613**

c) Fleet, Equipment and Premises Commitments

The Corporation is committed to the following fleet and equipment purchases and minimum annual operating lease payments for premises and equipment as follows:

Table 30: Fleet, Equipment and Premises Commitments

2019	$ 14,179
2020	5,318
2021	4,811
2022	2,872
2023	2,216
Beyond	15,150
Total	**$ 44,546**

(all dollar amounts in thousands of dollars)

18. Commitments (continued)

d) Facilities and Infrastructure Commitments

The Corporation has the following outstanding commitments remaining on facilities and infrastructure contracts as at December 31, 2018:

Table 31: Facilities and infrastructure Commitments

	2018	2017
Roads	**$48,427**	$47,230
Sanitary Sewer	**28,092**	31,517
Storm Sewer	**19,485**	17,549
Water	**18,814**	18,155
Recreation Facilities	**16,306**	17,085
General Government	**6,212**	5,347
Waste Disposal and Recycling	**2,053**	1,141
Fire, Provincial Offences and Emergency Measures	**1,594**	808
Parks	**1,562**	3,240
Commercial and Industrial	**978**	1,457
Cultural Facilities	**776**	584
Social Housing	**79**	-
Library Facilities	**-**	319
	$144,378	$144,432

These amounts represent uncompleted portions of contracts, as at December 31, 2018, on major projects. The majority of payments on these outstanding commitments will be made in the next three (3) to five (5) years.

e) Affordable Housing Programs

The Corporation is responsible for the delivery and administration of affordable housing programs in the City of London and the County of Middlesex. The Corporation has entered into various Municipal Contribution Agreements related to Affordable Housing Programs.

As at December 31, 2018, the Corporation has outstanding commitments remaining on these agreements of **$21,944** (2017 - $17,395).

The Corporation of The City of London

Audit Findings Report
for the year ended December 31, 2018

KPMG LLP

Prepared as of June 7, 2019 for
presentation on June 19, 2019

kpmg.ca/audit

KPMG

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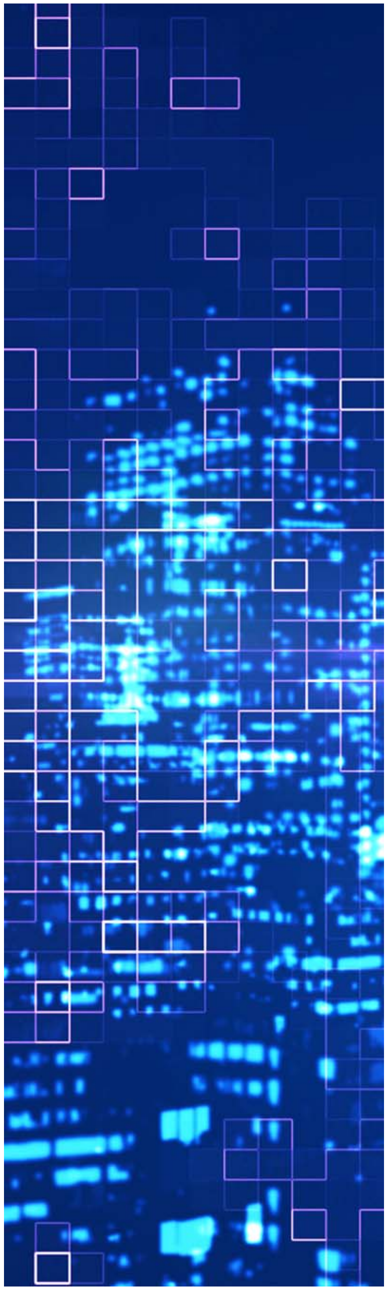


Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the consolidated financial statements of The Corporation of the City of London (the "Corporation") as at and for the year ended December 31, 2018.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on February 6, 2019.

Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

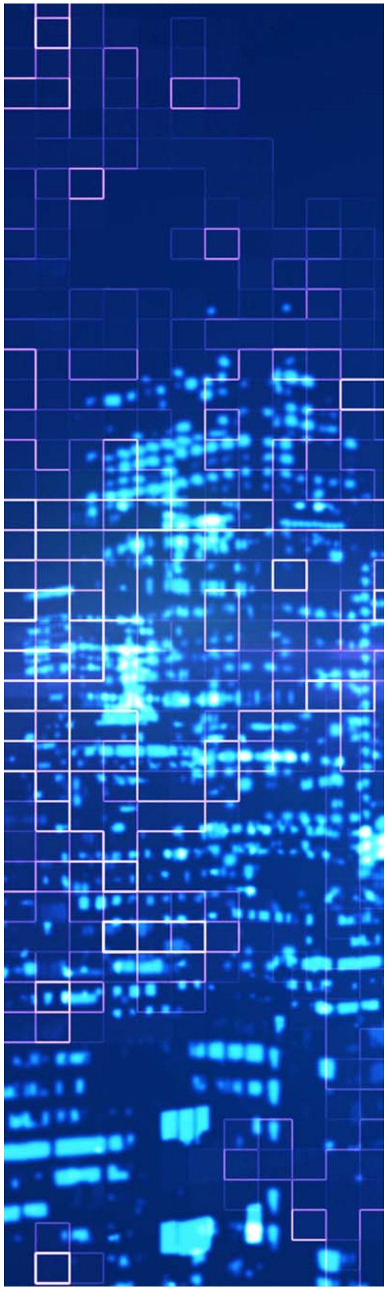
Finalizing the Audit

As of June 7, 2019, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Obtaining outstanding documentation and inquiries in a few remaining areas, including urban works payable
- Completion of our legal testing procedures, including obtaining updates to our internal and external legal letters;
- Tie-out of the consolidation workbook and financial statements, including notes;
- Tie-out of the annual report;
- Completion of manager and partner final review;
- Obtaining the signed management representation letter;
- Completing our discussions with the Audit Committee;
- Obtaining evidence of Council's approval of the financial statements

We will update the Audit Committee, and not solely the Chair (as required by professional standards), on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



Executive summary

Audit risks and results

We discussed with you at the start of the audit a number of significant financial reporting risks:

- These include the presumed risk of management override of controls as well as the risk over the completeness of accruals.
- We also discussed with you some other areas of audit focus.
- These risks and the other areas of focus have been addressed in our audit.

See pages 4 – 10 for a discussion of these matters.

Significant accounting estimates

Overall, we are satisfied with the reasonability of significant accounting estimates.

The significant areas of estimates relate to: employee future benefits, liabilities for contaminated sites, landfill closure and post-closure liability, and legal and other accruals.

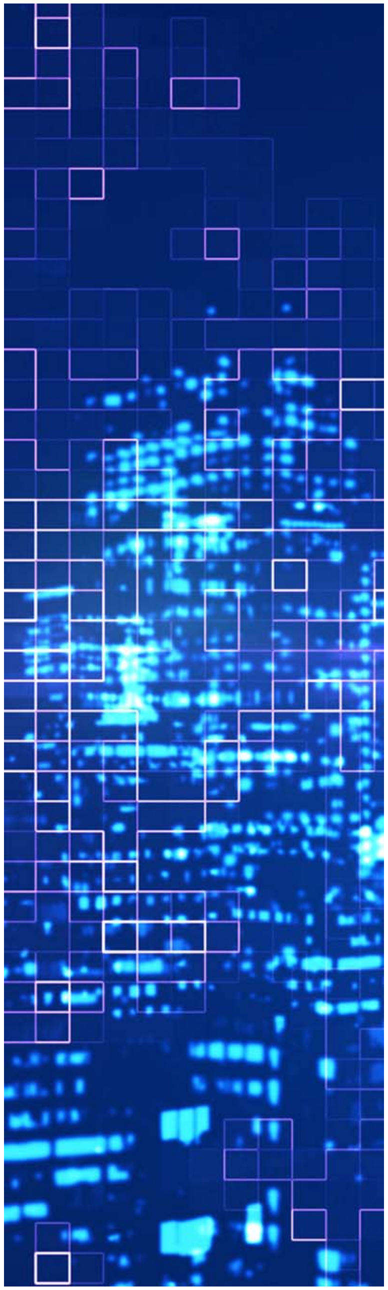
See pages 11 – 12.

Significant accounting policies and practices

The following accounting standards came into effect for the current year:

- PS 2200 Related Party Disclosures
- PS 3210 Assets
- PS 3320 Contingent Assets
- PS 3380 Contractual Rights
- PS 3420 Inter-entity Transactions

Implementation of the last four standards noted did not have a significant impact on the Corporation. With regards to PS 2200, management has implemented a process to ensure that all related party transactions have been identified and have been appropriately disclosed in the consolidated financial statements, including those with key management, members of Council or Boards of the Corporation and its Boards and Commissions. There have been no other initial selections of, or changes to, significant accounting policies and practices to bring to your attention.



Executive summary

Adjustments and differences

We did not identify differences that remain uncorrected.

See page 15 and Appendix 4.

Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting (ICFR).

We have identified other observations with respect to the following:

- Management review of grant contracts and associated revenue recognition
- Review over general accounting entries in Tangible Capital Assets
- Processing of payroll for casual employees
  - Review of timecards
  - Payment after termination
- Employee IT login security practices

See pages 16 – 19.

Independence

We have included a copy of our annual independence letter, which notes that we are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. See Appendix 3.

Audit risks and results

We highlight our significant findings in respect of significant financial reporting risks as identified in our discussion with you in the Audit Plan, as well as any additional significant risks identified.

Significant financial reporting risks	Why is it significant?
Completeness of accruals	The financial statements include certain accruals, such as legal and landfill liabilities and liabilities for contaminated sites, which involve a significant amount of management judgment and assumptions in developing.

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

No significant issues were noted. See pages 11 – 12 for a further discussion of the significant accounting estimates.

Audit risks and results

Significant financial reporting risks	Why is it significant?
Fraud risk from management override of controls	This is a presumed risk. We have not identified any specific additional risks of management override relating to this audit.

Our response and significant findings

Audit Approach

As this risk is non-rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. KPMG performed the procedures as indicated in our audit planning report.

Findings

No significant issues were noted.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Capital projects and acquisitions	The City of London has a large balance of tangible capital assets and is continually spending on capital projects. There is judgment involved in determining the useful lives of capital and when the amortization period should begin.

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

No significant issues were noted.

There have been no changes to the amortization rates used in the prior year. This is reasonable given the nature of assets and their useful lives. See Appendix 1 for a visualization of the amortization timeline.

See page 13 for further details on the data and analytics performed.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Payroll and employee future benefits	The City of London provides defined retirement and other future benefits for some groups of its retirees and employees. These amounts are quantitatively significant to the financial statements.

Our response and significant findings

The balance of employee future benefits is comprised of the following:

- Post-employment and post-retirement benefits of $92.6 million (2017 - $89.8 million) - includes health, dental, life insurance and long-term disability, which are provided to retirees until they reach 65 years;
- WSIB accrual of $48.8 million (2017 - $46.7 million) – as a Schedule 2 Employer, the Corporation must finance its own costs related to WSIB;
- Vacation liability of $16.5 million (2017 - $16.2 million) – relates to vacation credits earned but not taken by employees as at December 31; and
- Unused sick leave liability of $1.7 million (2017 - $2.2 million) – represents the liability for accumulated vested sick days that can be taken in cash by an employee on termination.

The calculation of employee benefits payable requires Management to make certain estimates, including estimates of discount rate, salary escalation, retirement age, expected health care and dental costs, and estimated claim costs.

The liability for the post-employment and post-retirement benefits is determined through an actuarial valuation which was prepared by Mercer as of December 31, 2018.

The liability for workplace safety and insurance costs is determined by WSIB. The vacation and unused sick leave liabilities are accrued in the financial statements when they are earned by employees.

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

Based on work performed over assumptions used in the actuarial valuation, KPMG concurs with Management that these amounts are fairly stated as at December 31, 2018.

A control observation and performance improvement point have been identified as a result of our payroll testing procedures. The control observation and performance improvement point have been summarized on pages 17 and 19.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Taxation, user charges, and transfer payments revenue	For the year ending December 31, 2018, these revenue streams amounted to more than $1.2 billion for the City of London.

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

During our testing over grant revenue, KPMG identified a misstatement where revenue was recognized for a grant provided to the Corporation in 2018; however, there were restrictions on what the funding could be used for and no amounts had been spent on the stipulated project during 2018. This resulted in an overstatement of grant revenue and understatement of deferred revenue. The cause of the error was primarily due to the transferring of funding from one department to another. As a result, KPMG performed testing on additional items within grant revenue.

No further issues were noted in the testing performed.

Audit risks and results

Significant findings from the audit regarding other areas of focus are as follows:

Other area of focus	Why are we focusing here?
Update of standard cost estimates for assumed assets	The City of London has engaged C.D. Watters Engineering Ltd. to prepare an updated estimate of standard costs to be used to value assumed assets. This requires the use of assumptions and judgment. The value of assumed asset additions recorded during the year is $73.3 million (2017 - $36.8 million).

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

No issues were noted in the testing performed. The inputs and assumptions used are considered to be reasonable based on the audit evidence obtained.

Other audit matters

Other area of focus	Why are we focusing here?
Debt Issuances	Individual debt issuances at the Corporation have historically been for significant amounts.
New Boards & Commissions – Hyde Park BIA	New entities will require audited financial statements and consolidation into the Corporation’s consolidated financial statements.
Southwest Community Centre (Bostwick) Joint Arrangement	During fiscal 2016, the Corporation entered into a joint arrangement with the YMCA of Southwestern Ontario and London Public Library to design, construct, and operate a multi-use community facility for approximately $54 million. The facility was completed in 2018.
Springbank Dam	Historically, this asset has been included within Assets under Construction until its future use could be determined. The value of its future use has been determined, resulting in a write-down of $6.3 million in 2018.
Dissolution of the Public Utility Commission	The Public Utility Commission was dissolved October 16, 2018 and land with a value of $2.9 million was transferred to the Corporation.
Municipal Accommodation Tax	This is a new revenue stream for the Corporation effective October 1, 2018. Half of collections will be remitted to Tourism London. The Corporation reported gross revenues of $0.9 million in fiscal 2018 and their net share amounted to 50% of revenue collected.

Our response and significant findings

Audit Approach

KPMG performed the procedures as indicated in our audit planning report.

Findings

No issues were noted in the testing performed.

Significant accounting estimates

Management is required to disclose information in the consolidated financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year.

We have summarized our assessment of the subjective areas.

Asset / liability	Balance
Landfill closure and post-closure liability	$39.2 million

KPMG comment

- The Corporation is required to accrue anticipated closure and post-closure costs for existing and closed landfill sites in accordance with the Ontario Environmental Protections Act and PS 3270.
- The liability is the estimated cost to date, based on a volumetric basis, of the expenditures relating to those activities required when the site stops accepting waste.
- Determination of this liability is dependent upon significant Management estimates including expected and remaining capacity of the landfill, expected closing costs and estimated time needed for post-closure care.
- The estimated liability for the landfill sites is calculated as the present value of anticipated future cash flows associated with closure and post-closure costs.
- At December 31, 2018, the landfill accrual amounted to $39.2 million (2017 - $36.7 million), $29.7 million of which related to the future closure of the active landfill and $9.5 million relating to monitoring of closed landfills.
- We obtained an understanding of the calculation through discussions with the Corporation's Solid Waste Management Division Manager. We reviewed the analysis prepared by Management and obtained corroborative evidence to support Management's assumptions. The assumptions used by Management in the calculation are considered reasonable based on the audit evidence obtained and are consistent with the assumptions and estimates made in other sections of the financial statements.

We believe management's process for identifying significant accounting estimates is considered adequate.

Significant accounting estimates

Asset / liability	Balance
Accounts payable and accrued liabilities	$170.4 million

KPMG comment

- Management accrues estimates for liabilities that have been incurred at year end, but not yet paid, within accounts payable and accrued liabilities in the financial statements.
- Included within this balance are estimates related to provisions for personnel and legal matters in the amount of $4.6 million (2017 - $4.7 million). The accrual for personnel matters amounted to $1.4 million (2017 - $0.7 million) and includes amounts for matters which will be taken to arbitration and other internal grievances. The accrual for legal matters amounted to $3.2 million (2017 - $4.0 million) and is comprised of lawsuits brought against the Corporation by external parties.
- Management has accrued these amounts based on previous experience with matters that were similar in nature, based on information provided by the HR department and based on assessment included in both internal and external legal letters.
- Also included within this balance are significant estimates related to liabilities for contaminated sites. A liability of $0.9 million (2017 - $1.2 million) for remediation of contaminated sites has been recognized, net of any expected recoveries.
- We obtained an understanding of the calculation through discussions with Management and obtained corroborative evidence to support assumptions.
- Management has accrued these amounts based on reports prepared by independent consultants to estimate the cost of remediation.
- Management has represented that these balances are fairly presented for financial reporting purposes.
- With respect to accrued liabilities, we have:
  - Discussed with Management the nature and rationale for the accrual;
  - Reviewed Management's assessment of the likelihood of incurring the liability for each claim, range of possible outcomes, and the amount in the range that has been accrued in the financial statements;
  - Compared the current period accruals to the amounts accrued at the prior year end for significant fluctuations;
  - Reviewed the Corporation's in-house legal letter for any potentially unrecorded accruals at year end;
  - Reviewed legal letters obtained from external legal counsel to ensure all claims have been accrued at year end and that likelihood of outcome for each claim as reported by external counsel is consistent with Management's assessment;
  - Reviewed results of the environmental assessment prepared by independent third party consultants; and
  - Where possible, reviewed subsequent payments to determine whether the liability at year end is reasonably stated.

We believe management's process for identifying significant accounting estimates is considered adequate.

Data & Analytics in the audit

Area(s) of focus	D&A tools and routines	Our results
Journal entry testing	Utilized computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing as a response to the fraud risk from Management override of controls.	As at the date of this report, this procedure is in progress.
Tangible capital assets – WIP	Utilized CAATs to compare the WIP detail in fiscal 2018 to the WIP detail in fiscal 2017, testing any projects that did not incur costs in fiscal 2018 and still remain in work in progress (WIP). This routine obtained audit evidence over the completeness of tangible capital assets and amortization expense.	No issues noted during the test.
Tangible capital assets – Disposals	Utilized CAATs to compare the disposal listing to the asset detail, testing assets that were recorded in both listings. This routine obtained audit evidence over existence of tangible capital assets.	No issues noted during the test.
Holdback accrual	Utilized CAATs to compare the tangible capital asset WIP listing to the holdbacks accrual listing, testing any significant WIP project that did not have a corresponding holdback accrual. This routine obtained audit evidence over the completeness of holdback accruals.	No issues noted during the test.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the Corporation's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

We also highlight the following:

Form, arrangement, and content of the financial statements	Adequate
Application of accounting pronouncements issued but not yet effective	• PS 3430 Restructuring Transactions – applicable for the year ending December 31, 2019 • PS 1201 Financial Statement Presentation – applicable for the year ending December 31, 2022 • PS 3041 Portfolio Investments – applicable for the year ending December 31, 2022 • PS 3450 Financial Instruments – applicable for the year ending December 31, 2022 • PS 2601 Foreign Currency Translation – applicable for the year ending December 31, 2022 • PS 3280 Asset Retirement Obligations – applicable for the year ending December 31, 2022 • PS 3400 Revenue – applicable for the year ending December 31, 2023 No concerns at this time regarding future implementation

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as "Corrected adjustments" or "Uncorrected differences". These include disclosure adjustments and differences.

Professional standards require that we request of management and the Audit Committee that all identified adjustments or differences be corrected. We have already made this request of management.

Corrected adjustments

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements. See Appendix 4.

Uncorrected differences

We did not identify differences in excess of $810,000 that remain uncorrected.

Control observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in ICFR.

Significant deficiencies

Description	Potential effect	Component entity
No significant control deficiencies were noted. Please see other control deficiencies on pages 17 - 19.		

Other control observations

Other control observations may be identified during the audit that do not rise to the level of material weakness or significant deficiency.

Below is a summary of these other control observations that we identified during the audit:

Description	Potential effect
Management review of grant contracts transferred between departments	During our testing over grant revenue, we noted one instance where revenue was recognized for a grant provided to the Corporation in 2018; however, there were restrictions on what the funding could be used for and no amounts had been spent on the stipulated project. This resulted in an overstatement of grant revenue and understatement of deferred revenue. The cause of the error was primarily due to the transferring of funding from one department to another. While this represents a control deficiency, it should be noted that it has not been identified as a significant deficiency. KPMG performed additional procedures to identify whether other misstatements existed within this area and found no further issues. KPMG recommends that a review process be implemented to ensure that grant revenue for each contract is appropriately recorded, even when transferred between departments.
Payroll – Agency 3	During our control testing over the payroll process in prior years, we noted instances where there was a significant time lag between when the employee was terminated and when the payroll department received the termination form. These instances related to Agency 3 – Casual workers and as such we do not consider this to be a pervasive deficiency. As a result of this time lag, the employee was paid nominal amounts for statutory holidays that they were not entitled to. KPMG did not identify any instances in current year testing, however, per discussion with Management, this continues to be an issue, albeit to a lesser extent in 2018. While this represents a control deficiency, it should be noted that it has not been identified as a significant control deficiency due to the fact that the total payroll for Agency 3 is not considered significant to the financial statements. We understand that management is taking the recommended steps to implement processes in an effort to remediate the deficiency.

Other control observations (continued)

Other control observations may be identified during the audit that do not rise to the level of material weakness or significant deficiency.

Below is a summary of these other control observations that we identified during the audit:

Description	Potential effect
Review over general accounting journal entries in TCA	During our testing over journal entries, we noted that general accounting journal entries relating to allocations within Tangible Capital Assets were prepared by one individual in the TCA department and posted by one individual in the Finance department. No review of these journal entries is currently taking place within the TCA department. This could result in fraudulent or inaccurate journal entries being recorded, with management being unaware of the entries. While this represents a control deficiency, it should be noted that it has not been identified as a significant deficiency as this issue is limited to one type of journal entry within one department. In addition, management has mitigating controls within the TCA process through periodic reconciliations and balancing. KPMG recommends that management implement a formalized process whereby these journal entries are reviewed by an employee in the TCA department and the review is clearly documented prior to the journal entry being posted by the Finance department.

Other observations

Other observations may be identified during the audit that do not rise to the level of a control deficiency; but have been highlighted as performance improvement areas.

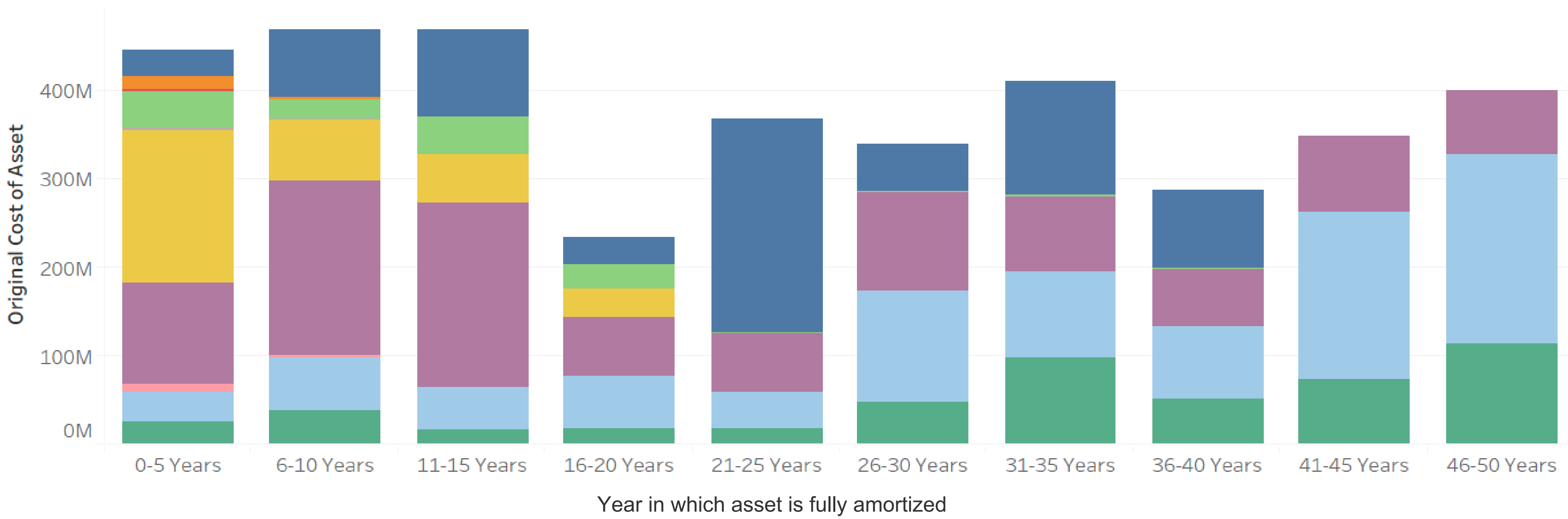
Item	Observation
Payroll – Management review of timecards	During our testing over payroll, KPMG noted that the payroll department will frequently receive a request to add or subtract hours from a timecard from a previous pay period that has already been approved by the manager. This is particularly prevalent in Agency 3 (Casual employees) where managers input time on behalf of the employee. These adjustments are not significant; however, they suggest that some managers may be approving timecards without reviewing the accuracy of the hours. KPMG recommends that managers should always perform a check for accuracy before signing off on timecards or alternatively, casual employees should input their own time, followed by management review.
Employee IT login security practices	KPMG noted that some employees use an automatic password function to log into IT systems or leave their computers unlocked while away from their work station. There is a risk that if computers are left unlocked or passwords left auto populated, other employees are able to access IT systems using other's logins, and could can gain inappropriate access and change rights to the IT system. KPMG recommends that training be provided to employees on IT security and system settings should be modified to prevent the ability to automatically save the password within the IT system.

Appendices

- Appendix 1: Amortization visualization
- Appendix 2: Required communications
- Appendix 3: Independence letter
- Appendix 4: Management representation letter
- Appendix 5: Current developments
- Appendix 6: 2019 Cyber in the External Audit and Cyber Questionnaire

Appendix 1: Amortization visualization

Tangible Capital Asset Amortization Timeline 0-50 Years

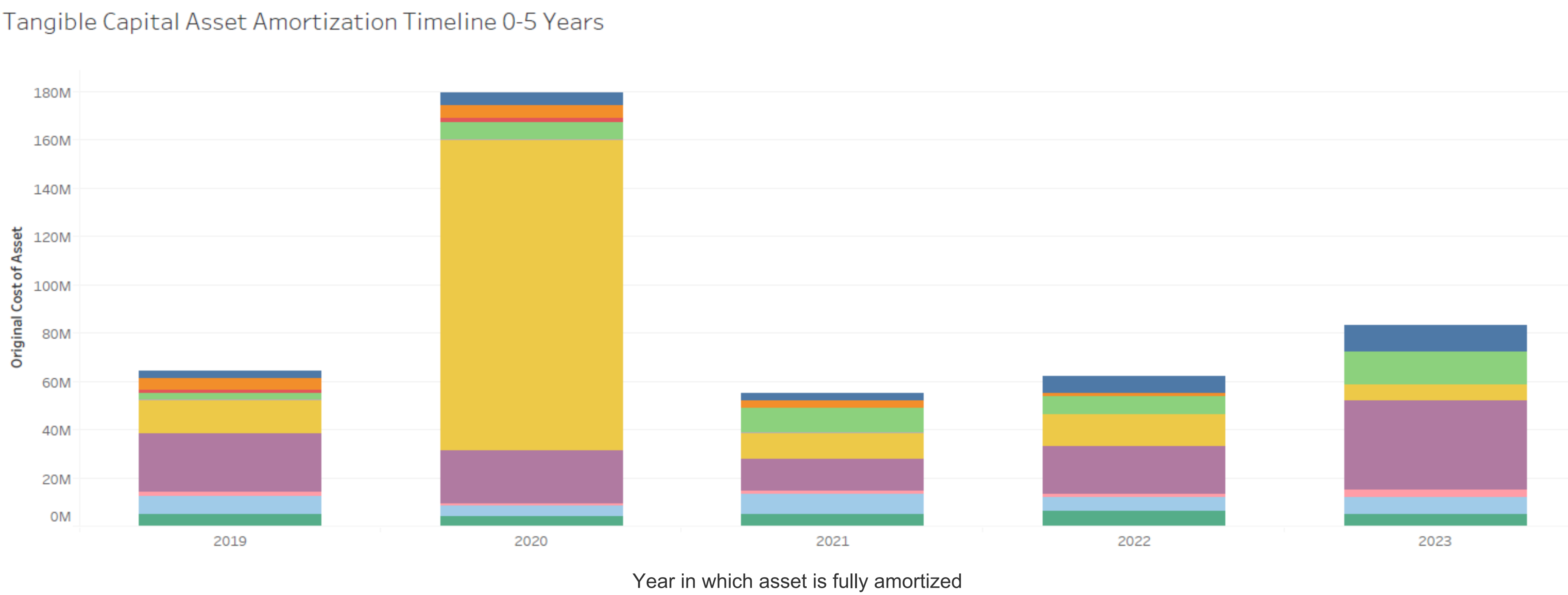


This chart represents the time in which current tangible capital assets owned by the City of London (unconsolidated) will be fully amortized over a 50 year time period. This chart may be useful in determining when assets will have to be replaced assuming that useful lives used for accounting purposes are relatively close to the true useful lives. Please note that this chart excludes assets that have been fully amortized, but are still in use. In addition, some assets may be used beyond their expected useful life or may require replacement sooner. This chart also does not include capital assets that will be fully amortized in greater than 50 years.

Tangible Capital Asset Category

- Buildings and building improvements (10-40 years)
- Computers under capital lease (3 years)
- Leasehold Improvements (7 years)
- Roads Infrastructure (10-80 years)
- Wastewater infrastructure (10-100 years)
- Computers (3-8 years)
- Landfill and land improvements (10-40 years)
- Machinery, equipment and furniture (7-20 years)
- Vehicles (5-7 years)
- Water infrastructure (10-60 years)

Appendix 1: Amortization visualization (continued)



This chart represents the time in which current tangible capital assets owned by the City of London (unconsolidated) will be fully amortized over a 5 year time period. This chart may be useful in determining when assets will have to be replaced assuming that useful lives used for accounting purposes are relatively close to the true useful lives. Please note that this chart excludes assets that have been fully amortized, but are still in use. In addition, some assets may be used beyond their expected useful life or may require replacement sooner. This chart also does not include capital assets that will be fully amortized in greater than 5 years.

Tangible Capital Asset Category

- Buildings and building improvements (10-40 years)
- Computers under capital lease (3 years)
- Leasehold Improvements (7 years)
- Roads Infrastructure (10-80 years)
- Wastewater infrastructure (10-100 years)
- Computers (3-8 years)
- Landfill and land improvements (10-40 years)
- Machinery, equipment and furniture (7-20 years)
- Vehicles (5-7 years)
- Water infrastructure (10-60 years)

Appendix 2: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

Auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft consolidated financial statements.

Management representation letter

We will obtain the signed management representation letter from Management at the completion of the annual audit. In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. See Appendix 4.

Annual independence letter

In accordance with professional standards, we have attached our annual independence letter. See Appendix 3.

Appendix 3: Independence letter

KPMG LLP
140 Fullarton Street
Suite 1400
London, ON N6A 5P2
Tel 519 672-4880
Fax 519 672-5684

Audit Committee
The Corporation of the City of London
300 Dufferin Avenue
London, Ontario N6A 4L9

June 19, 2019

Ladies and Gentlemen

Professional standards specify that we communicate to you in writing all relationships between the Entity (and its related entities) and our firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

a) provision of services in addition to the audit engagement

b) other relationships such as:

- holding a financial interest, either directly or indirectly, in a client
- holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
- personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
- economic dependence on a client

PROVISION OF SERVICES

The following summarizes professional services performed for the Entity (and its related entities) relating to 2018:

Description of Professional Services
Audit and audit related • Audit of the consolidated financial statements of the Corporation for the year ended December 31, 2018 • Audit of all individual Boards and Commissions and Trust Funds financial statements for the year ended December 31, 2018, as outlined in our engagement letter • Audit of the PUC financial statements for the year ended October 16, 2018 • Audit of the Dearness Program Report and Dearness Long-Term Care Report • Audit of Joint Water Board (Huron and Elgin) Financial Statements • Review of Childcare Program Envelopes • Review of Ontario Works • Federal audit of Homelessness Partnering Strategy • Specified auditing procedures over the City of London Closed Circuit Television System for the year ended 2018
Tax • Preparation of corporate tax return for London & Middlesex Community Housing Inc. • Preparation of corporate tax return for Eldon House • Preparation of corporate tax return for Housing Development Corporation, London • Preparation of corporate tax return for Argyle Business Improvement Association Board of Management • Preparation of corporate tax return for Hyde Park Business Improvement Association Board of Management
Advisory • Municipal Service Review

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. We have not provided any prohibited services. We have applied the following safeguards regarding threats to independence created by the services listed above:

- We instituted policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained pre-approval of non-audit services and during this pre-approval process we discussed the nature of the engagement and other independence issues related to the services.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity that, in our professional judgement, may reasonably be thought to bear on our independence.

CONFIRMATION OF INDEPENDENCE

We confirm that, as of the date of this letter, we are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Appendix 4: Management representation letter

KPMG LLP
1400-140 Fullarton Street
London, Ontario
N6A 5P2

June 19, 2019

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of The Corporation of the City of London (“the Entity”) as at and for the period ended December 31, 2018.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 15, 2016 including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:

      (i) the names of all related parties and information regarding all relationships and transactions with related parties; and

      (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

   f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.

g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

— management;

— employees who have significant roles in internal control over financial reporting; or

— others

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

5) We have disclosed to you the identity of the Entity’s related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Going concern:

9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

10) We confirm that we are not aware of material uncertainties related to events or conditions Comparative information:

Misstatements:

11) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

Non-SEC registrants or non-reporting issuers:

12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Commitments & contingencies:

13) There are no:

   i) Other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

   ii) Other environmental matters that may have an impact on the financial statements

Accounting Policies:

14) The accounting policies selected and applied are appropriate in the circumstances.

15) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

Environmental Matters:

16) The Entity has appropriately recognized, measured and disclosed environmental matters in the financial statements.

Estimates / Measurement Uncertainty:

17) We are responsible for making any fair value measurements and disclosures included in the financial statements.

18) For recorded or disclosed amounts that incorporate fair value measurements:

   a) the measurement methods are appropriate and consistently applied.

   b) the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, are adequately supported and have been consistently applied.

   c) the resulting valuations are reasonable.

   d) presentation and disclosure is complete and appropriate and in accordance with the relevant financial reporting framework.

Assets & Liabilities – General:

19) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on

fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.

20) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).

21) We have no knowledge of capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements that have not been disclosed to you.

22) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements and not disclosed to you.

23) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.

24) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

Comparative Figures/Financial statements:

25) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative figures/financial statements.

Receivables:

26) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date, and do not include amounts relating to goods shipped on consignment or approval. Receivables have been appropriately reduced to their net realizable value.

Long-Lived Assets:

27) The Entity has appropriately grouped long-lived assets together for purposes of assessing impairment.

28) We have reviewed long-lived assets, including amortizable intangible assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

Provisions:

29) Provision, when material, has been made for:

a) losses to be sustained in the fulfillment of, or inability to fulfill, any sales commitments.

b) losses to be sustained as a result of purchase commitments for inventory or other assets at quantities in excess of normal requirements or at prices in excess of prevailing market prices.

c) losses to be sustained as a result of the reduction of excess, damaged, unusable or obsolete inventories to their estimated net realizable value.

d) losses to be sustained as a result of other-than-temporary declines in the fair value of investments.

e) losses to be sustained from impairment of property, plant and equipment, including amortizable intangible assets.

f) losses to be sustained from impairment of goodwill and/or non-amortizable assets.

Asset Retirement Obligations:

30) All legal obligations associated with the retirement of tangible long-lived assets have been recognized, including those under the doctrine of promissory estoppel. The obligations were recognized when incurred using management's best estimate of fair value.

Revenues:

31) All sales transactions entered into by the Entity are final and there are no side agreements (contractual or otherwise) with customers, or other terms in effect, which allow for the return of merchandise, except for defectiveness or other conditions covered by the usual and customary warranties.

Financial Instruments, Off-Balance-Sheet Activities, Hedging and Guarantees:

32) Guarantees, whether written or oral, under which the Entity is contingently liable, including guarantee contracts and indemnification agreements, have been recorded in accordance with the relevant financial reporting framework**.**

33) Off-balance sheet activities, including accounting policies related to non-consolidation of certain entities and revenue recognition, have been recorded and disclosed in the financial statements. Specifically, for those off-balance sheet activities in which the Entity is a transferor of financial assets, the off-balance sheet vehicle is either a qualifying special purpose entity as defined in the relevant financial reporting framework, or the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework. For those off-balance sheet activities in which the Entity is a sponsor, administrator or lessee, the off-balance sheet vehicle is not controlled by the Entity for accounting purposes because the Entity is not the primary beneficiary pursuant to the relevant financial reporting framework.

34) The following information about financial instruments has been properly disclosed in the financial statements:

    a) extent, nature, and terms of financial instruments, both recognized and unrecognized;

    b) the amount of credit risk of financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments; and

    c) significant concentrations of credit risk arising from all financial instruments, both recognized and unrecognized, and information about the collateral supporting such financial instruments.

Employee Future Benefits:

35) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

36) There are no arrangements (contractual or otherwise) by which programs have been established to provide employee future benefits.

37) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits have been disclosed to you and included in the determination of pension costs and obligations.

38) The set of actuarial assumptions for each plan is individually consistent.

39) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

40) The assumptions included in the actuarial valuation are those that management instructed Mercer to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.

41) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.

42) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

43) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

44) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.

45) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

Management's Use of Specialists:

46) We agree with the findings of Michael Losee Division Manager, Solid Waste Management as management's expert in preparing the estimate for the landfill closure and post-closure liability. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

47) We agree with the findings of C.D. Watters Engineering Ltd. as management's expert in preparing the estimate for standard unit rates for assumed assets. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Yours very truly,

____

Mr. Ian Collins, Director of Financial Services

____

Ms. Anna Lisa Barbon, Managing Director, Corporate Services, City Treasurer, Chief Financial Officer

I have recognized authority to take, and assert that I have taken responsibility for the financial statements.

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Related parties

In accordance with public sector accounting standards, r*elated party* is defined as:

- When one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with public sector accounting standards a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Attachment II – Summary of Audit Misstatements Schedule

The Corporation of the City of London
December 31, 2018
Summary of Corrected Audit Misstatements

(000's)	Annual surplus effect	Financial position		
Description	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Accumulated surplus (Decrease) Increase**
Adjustment to transfer grant funding received from revenue to deferred revenue.	(3,304)	-	3,304	(3,304)
Total corrected misstatements	**(3,304)**	**-**	**3,304**	**(3,304)**

Appendix 5: Current developments

Standard	Summary and implications
PSAB Non-Traditional Pension Plans	• In October 2018, an invitation to comment was put out by the Public Sector Accounting Board (PSAB) regarding the Employer Benefits: Non-Traditional Pension Plans. • Non-traditional pension plans are plans that involve employers sharing different degrees of risk related to pension benefits with other parties, including employees and other employers. The accounting principles and guidance explored in the Invitation to Comment may have significant effect on the accrued benefit obligation reported by public sector entities. • KPMG responded to the Invitation to Comment and is in support of the matter on a principle basis, whereby paragraph .100 of the document states "The entity should recognize its share of the accrued benefit obligation of the pension plan in its financial statements, reflecting the substance of the terms in the plan and taking into consideration relevant factors, facts, events and circumstances." • We are concerned with significant inconsistencies that will likely arise across entities within a pension plan regarding the economic substance of the plan, and how it should be accounted for. This inconsistency across entities within a plan, and more broadly across the public sector would undermine the anticipated benefits of these standards. We are also concerned with the impact year to year swings in accrued benefit obligations could have on public sector entity compliance with accountability agreements. • Further, where a pension plan is in a surplus position, we also question whether a public sector entity's proportionate share of the surplus would meet the definition of an asset under PS3210, since the public sector entity itself does not necessarily control access to that proportionate share. • KPMG will remain actively engaged in the development of this proposed accounting standard change and ensure Management is aware of this emerging issue.

Appendix 6: 2019 Cyber in the External Audit & Cyber Security Questionnaire

Cyber Security

Services for External Audit

2019

As your External Auditors, we are able to leverage our insight and knowledge of your business, to provide you with access to a selection of our award winning Cyber Security Services.

What Forrester Research says about KPMG's Cyber Security services?

> *"KPMG has the clearest, most direct vision. KPMG asserts its desire to help CISOs and boards of directors come together on information security as a business issue, not an IT issue. The company's go-to-market approach leads with vertical expertise, while it is also applying investments across global member firms in areas like data analytics to cyber security engagements."*

In these days of incidents and breaches regularly making news headlines, Cyber Security, and the steps you take to protect your data and systems, can have a huge impact on your organization. How you then respond, if or when you do have an incident, is also key. How prepared do you think your organization is?

What's on your mind?

Our discussions with our external audit clients tell us some of the most common questions they ask in relation to Cyber Security are:

– **Are we doing enough** to protect ourselves and reduce our Cyber risk to an acceptable level?

– **Are our systems secure enough?**

– **How do we compare** to the rest of our industry, in terms of our investment in Cyber Security and our level of protection?

How can we demonstrate to our customers, clients, and other stakeholders that we take security seriously?

– **We have a limited budget**, how we can be sure we are investing in the right areas to reduce our risks?

– **How would we respond** if we had a serious incident that impacted our ability to do business or serve our customers?

How we can help turn risk to advantage?

Our permissible[1] Cyber Security services for External Audit clients can help you to answer the concerns listed above. These include:

Independent Cyber Security Reviews and Certification Audits

A formal certification is a key way to demonstrate to your customers or clients that you are taking security seriously. Going through the process can also drive improvements in security across your organization, by embedding processes and policies, and raising overall awareness.

We are able to perform formal Certification Audits to international standards such as the Information Security Management System standard (ISO27001) and Business Continuity Management (ISO22301). We can also perform Privacy by Design assessments which enable you to show that privacy is embedded into your organization and processes.

[1] The scope of our services may be subject to certain limitations in order to maintain our independence as your external auditors; as such, permissibility shall be ultimately evaluated based on the relevant facts and circumstances on a case-by-case basis.

Cyber Maturity Assessment (CMA)

Our CMA service helps you to understand your key cyber risks and your cyber security position relative to industry standards, providing observations for how you can improve.

Potential benefits to you:

- Greater visibility into your Cyber risk landscape and organizational Cyber capabilities.
- A comparison of your relative position compared to your industry competitors, whether you are behind, ahead or within 'the pack'.

Source: KPMG in Canada

Business Resilience Reviews

If you need to test or demonstrate resilience in the face of Cyber attacks, data breaches, unplanned IT or telecom outages, loss of talent/skills, adverse environmental conditions, and other challenges. KPMG can deliver tabletop scenario tests of DR, crisis response and Business Continuity to audit clients.

This will help to increase your understanding of what matters most to the business and how prepared you are to protect it.

It will identify resiliency risks and recommended actions to become more resilient.

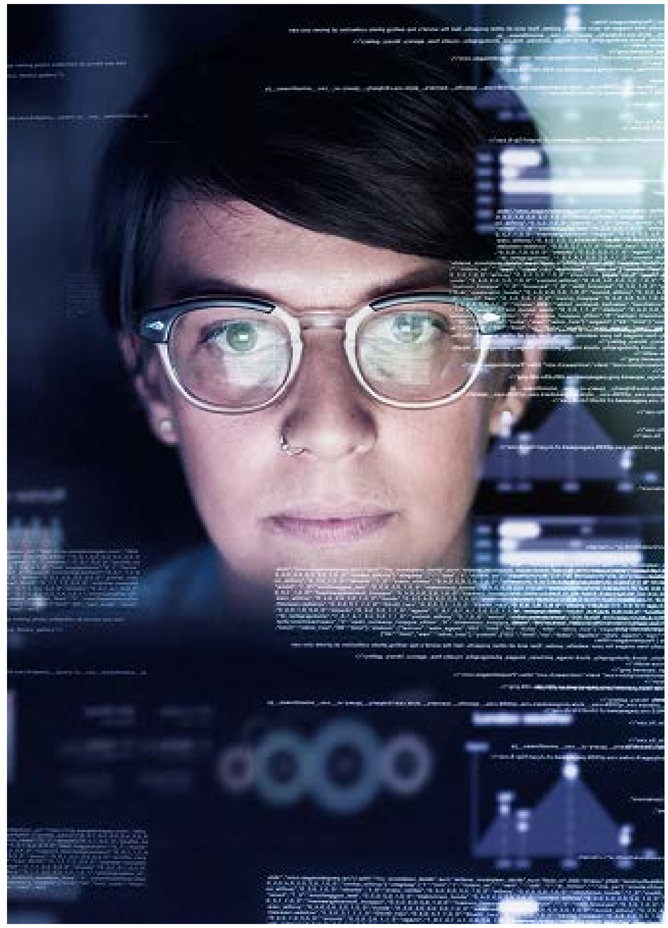
RedTeaming and Ethical Hacking Services

This service provides the opportunity to 'simulate an attack' on your systems. We are then able to identify potential weaknesses so you can better understand the effectiveness of your monitoring and detection capabilities, and then take steps to improve your defences.

Incident Response Assessments and Simulations

If you have concerns over your ability to react to an incident, which could impact how you are able to recover data, or investigate potential breaches and deal with negative publicity. We can provide an in-depth review of your readiness against a cyber-attack and the potential consequences.

We can also help with Cyber incident response tabletop exercises, to validate how you are able to execute your response plans.



Contact us

If any of these potential issues and our services resonate with you, don't hesitate to contact your KPMG External Audit contact or our Regions East Cyber Security leaders below:

Darren Jones
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T: (613) 212-3726
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Cyber Security Questionnaire

As part of our efforts to provide value for our audit clients, KPMG has prepared the following questionnaire that is intended to assess potential indicators of cyber security risks. The responses provided will be used to provide a presentation to the City's audit committee with respect to cyber security risks and the City's preparedness and response.

RESTRICTIONS

This questionnaire does not constitute a formal assessment of the City's information technology systems and cyber security risks.

We are not responsible for evaluating cybersecurity risks across the City's entire IT platform as part of a financial statement audit. As such, we have not and will not make any explicit or implicit conclusions about the City's ability to withstand a cybersecurity incident, the appropriateness of actions taken by the City in addressing cybersecurity risk, or any other matters that are outside the scope of our audit responsibilities.

QUESTION	RESPONSE
1. Does the City have systems and processes in place to generate awareness on a timely basis if its IT applications, databases, and operating systems had been subject to a cybersecurity incident that could impact the integrity of financial information used in the financial reporting process?	Yes. The City of London employs a Security Information and Event Management System that is monitored 24/7, 365 days per year.
2. Does the City have formal processes for identifying, assessing, and responding to risks related to attacks perpetrated through business email compromise scams or spoofing or phishing routines?	Yes.
3. Does the City undertake periodic network vulnerability assessments to scan, investigate, analyze, and report on any security vulnerabilities discovered on the public, internet-facing devices and to provide the City's management with appropriate mitigation strategies to address those discovered vulnerabilities?	Yes.
4. Has the City installed software to help protect it from Web-based threats including spyware, viruses, and phishing attacks?	Yes.
5. Does the City use virtual private networks and email encryption to prevent unauthorized disclosure of information?	Yes.
6. Are personnel required to complete security training upon hire, which focuses on IT security and access, business email compromise threats, communication, etc?	Yes.
7. Are security policies and procedures available to employees throughout the year?	Yes.
8. Are all employees required to complete an annual security "refresh" training?	Yes. Employees who are not successful on thrice annual Information Security testing are required to complete additional training and are then retested.
9. Does the City use various software tools across the organization to monitor network access, including but not limited to vulnerability scanners, packer sniffers, intrusion detection system (IDS), vulnerability exploitation devices, packet crafting tools, and firewall monitoring devices?	Yes.
10. *Does the City have* various controls that verify changes to bank account information or vendor payment information (e.g. routing numbers, vendor names, etc.) to authenticate the validity of the changes?	Yes, for Accounts Payable EFT, the City has strict controls in place to validate vendor bank account information both during the initial set-up and if/when changes are requested. Segregation of the collection, entry and approval functions within the process ensure that the controls are

	consistently followed
11. Does the City have a Corporate Security Cyber Incident Response Team, and a documented and tested Cyber Incident Response Plan as a part of their Cyber Intrusion Protection Program (CIPP), which monitors threats and/or breaches of data on a real-time basis? — The team identifies, assesses, evaluates, and implements action to mitigate data breaches or other types of unauthorized cyber intrusion. — The cyber incident response plan manages a cybersecurity incident in a manner that limits damage, reduces recovery time and costs, and increases the confidence in the City.	Yes. The City of London employs a Security Information and Event Management System and associated response program. This system is monitored 24/7, 365 days per year.
12. Does the Audit Committee receive a report on cybersecurity activities on a periodic basis?	Yes. City of London Internal Auditors Deloitte working with Information Technology Services set the information security audit priorities. ITS also works with third parties to perform Threat Risk Assessments and Penetration testing.
13. Is Council briefed on findings/concerns as they relate to the City's CIPP, described above, as well as other measures management is taking to mitigate associated risks?	Yes. In association with The City of London's internal auditors Deloitte, update sessions for Councillors have been provided. These sessions outline the current and evolving Information Security threat environment and the investments the City of London has made to decrease associated risk.

kpmg.ca/audit

Attachment II – Summary of Audit Misstatements Schedule

The Corporation of the City of London
December 31, 2018
Summary of Corrected Audit Misstatements

(000's)	Annual surplus effect	Financial position		
Description	**(Decrease) Increase**	**Assets (Decrease) Increase**	**Liabilities (Decrease) Increase**	**Accumulated surplus (Decrease) Increase**
Adjustment to transfer grant funding received from revenue to deferred revenue.	(3,304)	-	3,304	(3,304)
Adjustment to remove balances from urban works payable and tangible capital assets.	-	(7,262)	(7,262)	-
Total corrected misstatements	**(3,304)**	**(7,262)**	**(3,958)**	**(3,304)**

Deloitte.

Deloitte LLP
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Memo

Date:	June 7, 2019
To:	Members of the Corporation of the City of London Audit Committee
From:	Internal Audit
Subject:	Progress Memorandum: Class Replacement Pre-implementation Project Review

Background

The Parks and Recreation Department is currently implementing Perfectmind Inc's recreation activity management system solution. Internal Audit is conducting a pre-implementation review to assess the recreation activity management system's internal control framework and the approach surrounding operational workflow design, requirements and data migration. The following activities have been completed by Internal Audit:

- Agreed on roles, responsibilities, logistics, timeframes, review milestones, team communication and reporting methods;
- Developed and validated the review approach with management and issued the Project Charter;
- Established an understanding of the current state system and controls through interviews and inspection of existing process documentation for the legacy system;
- Examined available project documentation; and
- Issued this memorandum that includes observations based on the activities performed above.

Internal Audit's preliminary observations

Internal Audit's preliminary observations are summarized in the table below.

Priority	High	Medium	Low	Leading Practice
Observations	1	2	2	2

Areas of improvement were noted based on Internal Audit's review of project management activities to date for Perfectmind. Management should continue to monitor the overall project, timelines and progress to ensure that go-live for Perfectmind is achievable by revised March 2020 targeted deadline. The following table outlines Internal Audit's observations:

	Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
HP	**CRPP 1.0 Project execution and support** The City has not approved nor implemented a standardized project management methodology for project teams to follow. As a result, the Class Replacement Project Team does not appear to be following a standard project management methodology which may have resulted in delays to some key project activities and the need to revise the project target deadline.	**CRPP 1.0 Project execution and support** Not following a standardized project management methodology risks effective project planning and execution (e.g., resourcing, tools, etc.), project success (i.e., on time, on budget, on scope), and management visibility.	**CRPP 1.0 Project execution and support** To achieve sustainable project management across the organization, the City should implement an organizational level Project Management function (either; a PMO; a dedicated team, working group or committee; or a defined methodology including policies, templates and tools). A similar recommendation was made in the ITS Portfolio Management and Project Management – Methodology Maturity Internal Audit Report (Observation MM 1.01).	Management will consider as part of the 2020-2023 Multi-Year Budget, potential organizational structure changes to add appropriate resources to implement or work towards a greater commitment to project management corporately. It is debatable as to whether or not the revision to the project target deadline was a result of the project management methodology in use in comparison to the use of a standardized methodology. The revisions to the target deadline came about while undertaking solution development roadmap timelines and opportunities to improve security. Since time is available, management believes it best to wait and launch a more mature and secure solution.	City Manager April 2020 subject to approval of 2020-2023 Multi-Year Budget
MP	**CRPP 2.0 Operations surrounding Perfectmind** The Project Team has not incorporated into the Project Plan, an assessment of core business procedures, such as daily cash balancing or reports to management that enable timely monitoring, surrounding the Perfectmind system.	**CRPP 2.0 Operations surrounding Perfectmind** Unassessed core business procedures may result in unidentified process efficiency opportunities, emerging risks, and reporting capabilities.	**CRPP 2.0 Operations surrounding Perfectmind** The Project Team should add tasks to the Project Plan to conduct an assessment of core business procedures surrounding the Perfectmind solution. This assessment should include front-end (e.g. point-of-sale) and back-end operations (e.g. finance reconciliation and adjustments).	The items do not appear in the project plan because: 1) A fulsome review of all business processes was completed as part of the prior recreation software solution project that was terminated in 2016. Core business practices were then revisited in 2018 outside of this project, prior to kick off. 2) Daily cash balancing occurs outside of the solution and the requirements are dictated by the Corporate Cash Handling document.	Manager Administration and Attractions Timing N/A

MP	**CRPP 3.0 Project resourcing** The Project Team does not have a documented project resourcing schedule that is mapped to the existing Project Plan.	**CRPP 3.0 Project resourcing** Informal project resourcing practices may lead to unidentified project resourcing issues (e.g., overtasked team members) including misaligned resourcing schedules (e.g., vacation, etc.).	**CRPP 3.0 Project resourcing** The Project Team should begin using and managing the resource view within the project planning tool, or an Excel spreadsheet. Regular reviews are required to quickly understand total task allocations for each individual and identify immediate resourcing concerns (e.g., an individual overtasked in a specific week, etc.) including over allocation to tasks and conflicts with vacation schedules.	Management will begin utilizing shared resources including Outlook calendars and Excel task lists to identify staff availability and task responsibility.	Manager Administration and Attractions Q2 2019
LP	**CRPP 4.0 Issue tracking and decision log** There are two issue logs in use, 1) for solution issue tracking and 2) for internal City issues. The second (internal) tracking document does not include an assigned responsibility for each recorded issue. Additionally, the issues and risks recorded do not include related dates (i.e., open, closed) making it difficult to monitor, analyze and trend project data or potential impacts. The decision log requires a single date but it is unclear what the date represents.	**CRPP 4.0 Issue tracking and decision log** Unassigned responsibilities and unrecorded dates of risks, issues and decisions restricts the Project Team from measuring project effectiveness through active monitoring, analyzing and trending of project data.	**CRPP 4.0 Issue tracking and decision log** The Project Team should enhance the City issue tracking document and the decision log to record assigned responsibility and clearly defined dates (i.e., open, closed). Additionally, a procedure should be established to regularly monitor and analyze this data using specific parameters (e.g., project stream, issue ageing, severity).	The internal City issue log and the decision log will be modified to provide additional clarity. **Note:** Responsibility for solution issue tracking resides with the vendor. The City does not manage this list. Management included critical issue items and timelines in Schedule E of the negotiated contract.	Manager Administration and Attractions Q2 2019
LP	**CRPP 5.0 Legislative and policy requirement monitoring** The Project Team has prepared a form to support regular monitoring of relevant legislative and City policy requirements. This form does not clearly articulate the document overview (e.g., purpose, ownership, etc.) and required activities (e.g., standard procedures, etc.).	**CRPP 5.0 Legislative and policy requirement monitoring** Undocumented details for key business operations may result in employee misunderstanding of responsibilities, inconsistent performance and ineffective maintenance of standard procedures.	**CRPP 5.0 Legislative and policy requirement monitoring** The Project Team should enhance the existing form to include the purpose, ownership, version date, and form ID. The form should also explain the standard procedures to be performed including the frequency and any definitions of key terms or criteria.	This is a new process and currently is in draft format. Management will incorporate suggestions into this new form.	Manager Administration and Attractions Q3 2019

Leading practices

Observation	Implication	Recommendation
Project task completion The Project Team uses a Project Plan to record project tasks and assign an ID with a responsible party. However, the percentage complete for each task is not standardized with a set of defined percentages (e.g., 95% means work is complete and awaiting management approval) making it difficult to understand how much progress has been made to date and what remaining effort is required.	**Project task completion** Undefined project task completion percentages restricts the Project Team from viewing the Perfectmind Project Plan and quickly understanding progress made to date and remaining effort required.	**Project task completion** It is recommended that the Project Team adopt a standard project task completion approach that defines a shortlist of percentages (i.e., 50%, 75%, 90%, 95%, and 100%). This standard approach should be documented and distributed to the Project Team for consistent understanding and use throughout the project.
Project task completion The Project Team is not currently using the critical path functionality within the project planning tool to calculate a revised estimated date for project completion when delays to critical project items are experienced.	**Project task completion** Not using the critical path function in the project planning tool restricts the Project Team's ability to easily measure and understand implications to the overall project timeline when critical tasks are delayed or expedited.	**Project task completion** The Project Team should begin using the critical path functionality within the project planning tool and regularly review any impacts to the estimated project completion date when critical project items are delayed.

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The Corporation of the City of London

January – December 2019 internal audit dashboard as at June 10, 2019

Project status – 2019 Internal audit plan

2019 Audit plan projects	Percent complete	Est. timeframe[1]	Project status	Report issued
• Parking enforcement assessment	5%	June – Aug	OT	
• Smart City Office (pre-implementation) assessment	0%	Aug – Oct	OT	
• Electronic fund transfer compliance assessment	5%	Sept – Nov	OT	
• Dearness Home process assessment	0%	Nov – Jan	OT	
• IT cyber risk workshop assessment	0%	June – July	OT	
• Computerized Maintenance Management System (CMMS) pre-implementation review	0%	TBD	OT	

Project status – 2017-2018 Internal audit plan

2017-2018 Audit plan projects	Percent complete	Est. timeframe[1]	Project status	Report issued
• Construction Procurement Process Assessment	75%	Jan – Jun	OT	
• IT Security Assessment	10%	Jun – Aug	OT	
• Class Replacement Pre-implementation Project Review	65%	Ongoing	OT	

OT – On track DF – Deferred DL – Delayed

Internal audit activities – June – August 2019

- Parking enforcement assessment (scoping, fieldwork and reporting)
- Smart City Office (pre-implementation) assessment (scoping and fieldwork)
- Electronic fund transfer compliance assessment (scoping)
- Dearness Home process assessment (scoping)
- IT cyber risk workshop (planning and workshop)
- Computerized Maintenance Management System (CMMS) pre-implementation review (scoping)

Other activities

- Internal audit plan refresh for 2020 (September 2019)
- Prepare Audit Committee meeting materials
- Observation follow-ups and validation

2019 Performance metrics

Project customer satisfaction

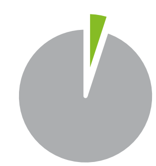
Overall quality of work/satisfaction level? (Based on completed reports surveys returned)

1 3 5

Objective = 4

% complete of the 2019 internal audit plan

5% complete



Internal audit 2019 reporting

	Draft (days)	Management comment (days)	Issue final (days)	Final (days)
• **Objective**	5.0	15.0	10.0	30.0
• **Performance**	N/A	N/A	N/A	N/A

Comments

[1] Agreed timing with management to scope project and kick-off fieldwork

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City of London Audit Committee Observation Summary
As at June 10, 2019

LEGEND	
Observations closed	All observations have been addressed by management
Remediation in progress	Observations in progress are being addressed by management including observations where initial timeline was missed but a plan is in place for remediation that appears acceptable
Remediation in progress - exceptions noted	Management has missed implementation deadlines for observations and no adequate resource plan has been identified
Management accepts the risk	Management has accepted the remaining risk

Report Summary				Observation Status for Management Action Plans due June 10, 2019						
Internal Audit Plan Year	**Report**	**Report Issue Date**	**Total High & Medium Observations**	**Observations Closed Per Management**	**Closed Per Internal Audit***	**In Progress Observations (Not Due)**	**Past Due Observations**	**Observations Closed by IA Since April 5, 2019 update**	**Timing**	**Past Due Observation Commentary**
2017/2018	Building Permit Process Assessment	Jan-18	3	0	0	0	3	**0**	**Dec-19**	• Three observations are past due as implementation requires ITS involvement. Revised timeline is December 2019.
2017/2018	Management Compensation Process Assessment	Apr-18	3	2	2	0	1	**0**	**Dec-18**	• One observation is past due as a position within Employee Systems remains vacant. Revised timeline is July 2019.
2017/2018	Parking Revenue Generation Assessment	Jun-18	5	2	2	3	0	**0**	**Dec-19**	
2017/2018	Homeless Prevention Assessment	Oct-18	4	1	1	3	0	**0**	**Dec-19**	
2017/2018	Procurement Process Assessment	Oct-18	2	1	1	1	0	**0**	**Aug-19**	
2017/2018	Health and Safety Assessment	Mar-19	3	1	1	2	0	**0**	**Dec-19**	
2017/2018	Housing Process Assessment	Mar-19	5	0	0	5	0	**0**	**Apr-20**	
2017/2018	IT Portfolio Management and Project Management Assessment	Mar-19	4	1	1	3	0	**1**	**Apr-20**	
2017/2018	Class Replacement Pre-implementation Project Review (Progress Memo)	Jun-19	3	0	0	3	0	**0**	**Apr-20**	
Sub-total 2017/2018 reports			**32**	**8**	**8**	**20**	**4**	**1**		
Total High and Medium observations			**32**	**8**	**8**	**20**	**4**	**1**		

Closed per Management: Management has indicated that action plans due to be acted upon by June 10, 2019 are complete.
Closed per IA: Internal Audit has validated Management's assertions of observation closure through review of evidence.
In Progress Observations: Management action plans due beyond June 10, 2019 are underway or management has asserted observations are closed but Internal Audit has not yet validated.
Past Due Observations: Actions plans due by June 10, 2019 have not been fully acted upon.
Observations Closed by Internal Audit since last update: Management has indicated in the current period that action plans are complete and Internal Audit has validated through review of evidence

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Memo

Date:	June 10, 2019
To:	Members of The Corporation of the City of London Audit Committee
From:	Jim Pryce, Partner, Deloitte LLP
Subject:	Internal Audit Summary Update

Internal Audit has included a summary memo with our material to highlight major accomplishments since our last update to the Audit Committee and to draw your attention to the matters of greatest importance. We will cover these documents in more detail at the meeting and respond to all questions you may have.

1. **Internal Audit Dashboard Report:**

   a. The approved 2019 plan is underway. Internal Audit has initiated actions to execute on the plan and expects to complete the projects by the end of 2019.

   b. The remaining 2017-2018 projects are underway. Internal Audit continues to execute on the remainder of the plan and expects to complete the remaining projects, Construction Procurement Process Assessment and IT Security Assessment for the next audit committee meeting in September 2019term. The exception is the Class Replacement Project Pre-implementation Review where there has been a delay in the targeted go-live date for the Class Replacement Project. It has changed to March 2020 which impacts the Internal Audit timing.

   c. Internal Audit continues to have quarterly meetings with the City Manager and City Treasurer.

   d. Internal Audit has issued no internal audit reports since the last Audit Committee update.

   e. Internal Audit has issued one progress memorandum since the last Audit Committee update:

      i. Class Replacement Project Pre-implementation Review Progress Memorandum: Minor process control or efficiency weaknesses identified. The report identified one high and two medium priority observations.

   Action plans are in place, including a responsible party and timeline, to address the observations noted in the issued report.

2. **Audit Observation Status Summary of High and Medium Priority Observations:**

   a. Since the last Audit Committee meeting, Internal Audit closed one medium priority observation for ITS Portfolio Management and Project Management Assessment.

   b. A total of four (4) medium priority observations are past due as of June 10, 2019 compared to the five (5) medium priority observations past due as at April 5, 2019. The current past due items are as follows:

i. Four (4) medium priority observations continue to be past due, including three (3) for Building Permit Process Assessment and one (1) for Management Compensation Process Assessment.

We are comfortable that management is making progress to remediate open items based on the timelines and work plans in place which they have committed and asserted to completing.

c. New internal control observations from the Class Replacement Project Pre-implementation Review were added to the audit observation listing in the period requiring management attention (1 high priority and 2 medium priority observations).